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MEDIUM-TERM PROGRAMME FRAMEWORK, 2002-2005

Proposals of the Director-General

Discusses the programmatic transformation in UNIDO since the adoption of decision GC.2/Dec.23, and explains the approach to comply with General Conference decisions GC.6/Dec.10 and GC.7/Dec.15 on the medium-term programme framework.

Introduction

1. Since the 1987 adoption by the General Conference of decision GC.2/Dec.23 establishing a mandate for a medium-term plan, an evolution has taken place that in part has been reflected in decisions on the subject adopted by the policy-making organs. In particular, in 1995, the Conference adopted decision GC.6/Dec.10, which renamed the medium-term plan the "medium-term programme framework" (MTPF), and reduced its coverage from six to four years. Subsequently, the adoption of the Business Plan on the Future Role and Functions of UNIDO was to have implications for the medium-term programme framework.

I. PROGRAMMATIC TRANSFORMATION

2. Documentation submitted to the policy-making organs during the biennium 1998-1999 reflected the impact of the programmatic transformation on the MTPF for 2000-2003 and future periods. At its twentieth session, the Board considered the preview of the MTPF (IDB.20/9-PBC.14/8). The proposed MTPF, 2000-2003 (IDB.21/13-PBC.15/13), submitted to the Board at its twenty-first session, was subsequently considered by the General Conference. A conference room paper summarized the status of development of the UNIDO project and programme portfolio, which constituted the medium-term programme framework (IDB.21/CRP.7).

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3. The documentation on the MTPF, 2000-2003, introduced the new programmatic orientation and its set of basic principles. Specifically, under the transformation process, the approach to define and offer UNIDO programmatic services has changed. Within the guidance set out in the Business Plan and the framework of the reform initiatives of the United Nations Secretary-General, UNIDO commenced to sharpen its profile and strengthen its relevance as the central coordinating agency in the field of industrial development. In support of system-wide initiatives to carry out country assessments and development assistance frameworks, UNIDO focuses on the elaboration and implementation of comprehensive integrated programmes in support of sustainable industrialization efforts of developing countries and economies in transition.

4. In the documentation prepared on the MTPF, 2000-2003, it was pointed out that the medium-term programme framework would be structured by the new integrated programmes. The integrated programmes would:

- Reflect the dual role of UNIDO as a global forum and partner of specialized technical cooperation;

- Emphasize UNIDO's support to African and least developed countries and, in that context, ensure adequate geographical coverage in accordance with the Business Plan.

5. The documents highlighted the innovations achieved during the transformation of UNIDO and proposed to align the MTPF process with the integrated programme approach adopted by UNIDO. Moreover, the revised MTPF approach, for the first time, transparently linked the framework to the programme and budgets. This was possible owing to new features in the programme and budgets:

- All substantive programmes are described under two major programmes, as set out in the Business Plan: strengthening industrial capacities, and cleaner and sustainable industrial development;

- The programmes listed under each major programme are synonymous with UNIDO's 16 service modules;

- Subprogramme-level presentations have been replaced with summaries of the services to be provided.

6. At the time of preparation of the proposed MTPF, 2000-2003 (April 1999), the Organization was engaged in a massive integrated programming exercise. The proposal explained that the design of the programme and budgets, as well as its programmatic framework, underscored the primacy of integrated programmes as stipulated by the Business Plan. Integrated programmes are designed:

- To combine service modules or their underlying services to address major problems of industrial development;

- To ensure that UNIDO clients benefit from tailor-made programmes which provide the full range of services that can be offered by the Organization;

- To provide an effective response to the intensive dialogue between the country and UNIDO. This ensures relevance, ownership, sustainability and ultimately impact;

- To respond to constraints faced by countries in their pursuit of their development goals, which aim at economic development, employment generation and environmental improvement.

7. The proposal suggested that the identification, approval and implementation of integrated programmes was a continuous process that not only needed to reflect the changing requirements of client countries but also had to be adjusted to donor priorities. It is significant that the new programme approach has placed the Organization in a position to continuously update its medium-term programme framework from 1999 and beyond. Thus, since that time, UNIDO's programmatic framework has been synonymous with what the Organization actually plans to accomplish, as set out in the approved and funded integrated programmes.

8. While the integrated programmes, which combine the UNIDO service modules, are considered the nucleus of the programme framework, "stand-alone" services under the service modules are available to countries with no integrated programme. In addition, the recently-established Office for Policy Issues and Strategic Research is developing a strategy for global forum and research activities. This strategy, which will draw on UNIDO technical cooperation programmes, will be the subject of a separate report to the Board.

II. REPORTING ON INTEGRATED PROGRAMMES

9. In document IDB.22/7, the Director-General reported on the implementation of the integrated programmes as of 7 April 2000. As at 19 May, 41 integrated programmes had been approved, and 33 were ongoing: 12 in Africa, 6 in Arab countries, 4 in Asia and the Pacific, 6 in Europe and NIS and 5 in Latin America and the Caribbean. Up-to-date progress reports (as of 30 April 2000) on each approved programme were distributed informally to the Board at its twenty-second

session. Information on indicators and impact in the programmes was provided in a conference room paper (IDB.22/CRP.3).

10. Updated reports on the UNIDO portfolio of integrated programmes will be provided regularly to future sessions of the Board and the General Conference, including information on the financing of integrated programmes for individual countries.

III. PRELIMINARY INDICATIVE GENERAL CEILING FOR THE PROGRAMME AND BUDGETS, 2002-2003

11. In its decision GC.2/Dec.23, the General Conference stipulated that the medium-term plan should indicate a general ceiling for the following biennium based on anticipated financial and human resources and on programme activity. While the capacity of UNIDO to deliver essential services and ensure their impact continues to be restricted by limited resources, the Director-General also acknowledges the constraints of Member States in their national budgets. Against this background, the Director-General intends to propose for the 2002-2003 regular budget a general ceiling representing zero real growth.

IV. ACTION REQUIRED OF THE COMMITTEE

13. The Committee may wish to recommend to the Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Recalls General Conference decision GC.6/Dec.20;

"(b) Takes note of the approach outlined for the medium-term programme framework, including the preliminary indicative general ceiling for the biennium 2002-2003 (IDB.23/4-PBC.16/5)."

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MOBILIZATION OF FINANCIAL RESOURCES

UNUTILIZED BALANCES OF APPROPRIATIONS, 1992-1993 AND 1996-1997

Report by the Director-General

Reviews the current status of resource mobilization for integrated programmes as well as "stand-alone" activities of UNIDO through the Industrial Development Fund, trust funds and other voluntary contributions. Describes the main programming thrust for 2001 and 2002, presents progress on the mobilization of programmable resources. Also provides information on the utilization of the "unutilized balances" and provides an update in respect of GEF-related activities.

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Introduction

1. The Industrial Development Fund is the central mechanism for extrabudgetary funding for UNIDO technical cooperation activities. Together with the trust fund mechanism it provides UNIDO with the main sources of funds that, in consultation with the respective donors, can be programmed to enable the Organization to deliver its key products to Member States. The importance of extrabudgetary funding for the delivery of the services is underscored by the very limited funding for technical cooperation activities from the regular budget. It is evident that sufficient resources are critical if the newly-focused UNIDO products and the integrated programmes are to become reality.

2. The present document should be considered in conjunction with the Annual Report of UNIDO 1999 (IDB.22/2-PBC.16/2), chapter 3.E of which provides information on the mobilization of funds for UNIDO services. In addition, the report on financing the integrated technical cooperation programmes in developing countries (IDB.22/3), issued to the twenty-second session of the Board provided information on the progress made in the dialogue with Member States to actively sustain common resource mobilization efforts.

I. PROGRAMMING THRUST, 2001-2002

3. For the biennium 2001-2002 the priority in respect of funding under the Industrial Development Fund as well as from other trust funds available to the Organization will continue to be given to the integrated programmes as well as to "stand-alone" activities in countries where no integrated programme is operating. In line with the focus of UNIDO services within the Business Plan priorities, such stand-alone projects will be developed and implemented within the service modules. In terms of geographical distribution, priority will continue to be given to the least developed countries (LDCs) and Africa.

4. In conceptual terms, the focus of activities both within the integrated programmes as well as stand-alone activities and regional programmes, will increasingly be on three interrelated global themes within UNIDO's mandate and the Business Plan:

- Sustainable poverty alleviation (mainly service modules 1, 9, 13, 14, 15 and 16);
- Strengthened capacity of countries to participate in and benefit from the international trade system (mainly service modules 1, 2, 3, 4, 5, 16);
- Environmentally sustainable industrial development (mainly service modules 6, 7, 8, 9, 10, 11).

5. It is anticipated also in terms of impact evaluation that these three themes will become the essential criteria for success or failure. Close cooperation with other international development actors around each of the themes to further enhance credibility and impact will be emphasized.

II. FUNDS MOBILIZATION FOR THE INTEGRATED PROGRAMMES

6. As explained in the annual report as well as in the report on financing the integrated technical cooperation programmes in developing countries (IDB.22/3), the integrated programmes have rather different funding and funds mobilization requirements as compared with traditional stand-alone projects. Various components are funded by different sources of funds, not always at the right time, and some components that are essential to the overall programme structure and that should provide important complementary support to funded components may not attract funding in time. In order to ensure a rapid start and keep the programme integrated, UNIDO requires a certain volume of "programmable" funding—resources that UNIDO can flexibly allocate.

7. Some progress has been made in consultations with donors on programmable contributions. After the initial Danish contribution to the Industrial Development Fund (IDF) of approximately $2 million for sub-Sahara Africa countries in 1998 which has continued on an annual basis, others have followed. In 2000 the United Kingdom made available $1 million, as announced to the General Conference in December 1999. More recently, Austria announced to the twenty-second session of the Board a contribution of 1 million euros, and Ireland contributed almost $120,000 targeted at its six priority countries. In addition, several other countries have continued with annual contributions to the programmable component of IDF. Together with the $4.4 million that became available from the unutilized balances, 1992-1993 and 1996-1997, with the adoption by the General Conference of resolution GC.8/Res.4, UNIDO does have available in 2000 over $10 million in programmable funds, representing approximately two-thirds of what would be required per year. Consultations will continue with other donors with a view to reaching the approximately $15 million required per year.

8. Efforts continue to work with both donor and recipient Governments to mobilize special-purpose funds for the integrated programmes from a variety of sources, as outlined in document IDB.22/3. It is anticipated that the volume mobilized in 2000 from donor Governments will exceed the level reached in 1999.

III. UTILIZATION OF FUNDS RESULTING FROM RESOLUTION GC.8/RES.4

9. In document IDB.22/8 the Director-General reported in detail on the amount that became available as a result of the adoption by the General Conference of resolution GC.8/Res.4. The total amount available is $4,405,323. In the resolution, the Conference requested the Director-General to report to the Board at its twenty-third session, through the Programme and Budget Committee, on the utilization of those funds.

10. In view of the situation described in paragraph 7 above, the amount resulting from the unutilized balances is being programmed in the context of the overall situation with respect to programmable funds, taking into account the specific needs of programmes, the requirement that the funds are to be used before 30 June 2001, and the various stipulations related to the other programmable funds. As the Director-General informed the Board in May 2000, to ensure an optimum allocation of programmable resources, an analysis was made of the integrated programmes with respect to their potential of achieving impact. The process of issuing allotments to the various programmes started after this analysis was completed, and is continuing. An up-to-date and complete overview of allotments made to the various programmes within the overall context of programmable resources allocation will be made available to the Programme and Budget Committee during its sixteenth session.

V. GLOBAL ENVIRONMENT FACILITY

11. Since the adoption of resolution GC.8/Res.2 by the General Conference in December 1999, a number of activities have taken place aimed at establishing a framework for future joint projects and programmes. In document IDB.22/4 the Director-General reported to the Board on progress in the implementation of that resolution.

12. The activities reported in that document have continued with the purpose of presenting to the GEF Secretariat, in the first place, and to other potential partner organizations such as UNDP and the World Bank, UNIDO's strategy as well as experience in implementing GEF programmes, particularly in the three areas in which UNIDO may be involved as a suitable counterpart: climate change, international waters, and biodiversity. Further promotional missions have been undertaken to selected donor countries to discuss the role of UNIDO and on specific areas of potential UNIDO involvement (persistent organic pollutants and energy). Missions have also been undertaken to a number of developing countries in Asia, Africa and Latin America, where ongoing as well as pipeline projects are being implemented or identified.

13. As a follow-up to earlier presentations (IDB.22/4, chap. I), a further briefing in May reported to Permanent Missions on recent progress, including activities and projects carried out or approved. In addition to a project in India for coal bed methane recovery approved in March, an interregional project for cleaner production was approved within the framework of the UNDP/GEF programme on transboundary environmental issues in the Caspian environment programme.

14. In addition, a number of awareness-raising meetings are being planned, targeting UNIDO field staff as well as key officials and GEF focal points in developing countries. In view of the priority given to the African region in UNIDO programmes, the first such meeting is tentatively planned in an African country before the end of the current year.

15. Finally, thanks to the concerted efforts of Permanent Missions and UNIDO staff, the GEF Council recently approved the proposal of the Chairman to expand opportunities for executing agencies beyond the regional development banks and to include UNIDO and the Food and Agriculture Organization of the United Nations (FAO) in that category. This will certainly help to increase cooperation between UNIDO and GEF in a number of areas, particularly in the case of persistent organic pollutants (POPs).

V. ACTION REQUIRED OF THE COMMITTEE

16. The Committee may wish to consider recommending to the Board the adoption of the following draft decision:

"The Industrial Development Board

"(a) Takes note of the information contained in document IDB.23/5-PBC.16/6;

"(b) Decides to delegate to the Director-General the authority to approve projects for financing under the Industrial Development Fund in 2001 and 2002 in accordance with the information contained in chapter I of that document;

"(c) Encourages Member States and other donors to increase their voluntary contributions to UNIDO and specifically to the Industrial Development Fund;

"(d) Also encourages all donors to consider contributing programmable funds, specifically to enable UNIDO to implement the integrated programmes in a coordinated manner and achieve the synergy and increased impact envisaged in the integrated programme concept;

"(e) Further encourages all Member States to facilitate access to funds available from bilateral sources to finance the implementation of components of integrated programmes matching the bilateral cooperation priorities;

"(f) Encourages Governments of recipient countries to play a more active role in sharing with UNIDO the responsibility to mobilize funds for jointly-developed integrated programmes and other high-priority activities from sources available to them."

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REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1998-1999

Financial performance report for the biennium 1998-1999

Submitted by the Director General

Reports on the utilization of financial resources for the biennium 1998-1999 for the regular and operational budgets.

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Introduction

1. In its conclusion 1987/19, paragraph (j), the Programme and Budget Committee requested the Director-General to submit each year to the Industrial Development Board through the Committee a clear and detailed financial performance report itemizing the utilization of financial resources. The present document presents a comparison for the biennium 1998-1999 of the budget estimates in terms of appropriations and income with actual expenditures and income. The information is provided for both the regular and operational budgets.

I. REGULAR BUDGET PERFORMANCE REPORT

A. Budget estimates for the biennium

2. The budget estimates for the biennium 1998-1999 presented in document GC.7/21 and approved by the General Conference in decision GC.7/Dec.16 were adjusted to reflect programmatic and financial changes made to the major programme estimates during the biennium within the total approved net budget as assessed on Member States. These were presented in documents IDB.20/7-PBC.14/6 and GC.8/12, and approved by the General Conference in decision GC.8/Dec.12.

3. The budget estimates comprise:

(a) The budget for 1998-1999 as approved by the General Conference in decision GC.7/Dec.16. The approved budget consisted of appropriations for the biennium of $145,898,600 and income estimates of $16,357,900 (including cost reimbursement) on the basis of an exchange rate of US$ 1 = ATS 12.90;

(b) Budgetary adjustments to major programmes and objects of expenditure were made within the total approved net budget as assessed on Member States. Since the responsibility for the management of Buildings Management Service (BMS) could not be transferred to another organization in the VIC with effect from 1 January 1999, the approved revised budget consisted of increased appropriations for the biennium of $165,500,300 and increased income estimates of $35,959,600 in accordance with decision GC.8/Dec.12. This, however, did not result in any additional assessment on Member States. The adjustments are listed below:

(i) The required formation of a strong team to advise the Director-General and to oversee the introduction of new policies and procedures necessitating recruitment and redeployment of senior staff; maintaining UNIDO's office in Geneva, supporting the Vienna Chapter of the Group of 77 and China, and increasing the allocation for staff training. The resources were made available by increasing the vacancy factor for Professional posts from 5 to 8.5 per cent, and posts were established at the appropriate level;

(ii) The restoration of the established posts and gross budget for the cost of Buildings Management for 1999 offset by increased estimates for cost reimbursement income, thus not increasing the net budget comprising UNIDO's share for BMS;

(iii) The establishment of the essential requirements programme for the upkeep of the buildings in the VIC, with a duration of 10 years starting in the 1998-1999 biennium. The financing was secured by redeployment of savings resulting from cost-cutting measures, including cutbacks in documentation and reduction in the duration of meetings to achieve savings in printing, interpretation, translation and other related services and reductions in operating costs.

4. The revised budget estimates by major programme resulting from the above changes are presented in table 1. Changes were made in the budgetary allocations by major object of expenditure and are presented in table 2. Revisions/adjustments to the dollar and schilling appropriations and income are shown in table 3.

5. The present document thus presents the financial performance report on the basis of the programme and budgets for 1998-1999 approved in General Conference decisions GC.7/Dec.16 and GC.8/Dec.12 and assessed on Member States.

6. In accordance with decision GC.7/Dec.16, appropriations and estimated income for the biennium are adjusted to take account of exchange rate variations experienced during the biennium. The application of the average exchange rate for the biennium of US$ 1 = ATS 12.6335 to the revised appropriations and estimated income presented in table 4 resulted in a restatement of those items to $168,453,500 and $36,672,900, respectively.

B. Assessed contribution income for 1998-1999

7. The financial implementation of the approved programme and budgets is dependent on the actual level of cash resources available during the biennium. The source of financing of the regular budget is the assessed contributions of Member States. Assessed contributions for the biennium 1998-1999 paid to the Organization as

compared with the amounts assessed in accordance with General Conference decision GC.7/Dec.16 are as follows:

	Millions of US dollars
Assessed contributions receivable	130.9[1]
Assessed contributions received	112.7
Shortfall in collections	18.2
Percentage shortfall	13.9

C. Comparison of budget with actual expenditure and income for 1998-1999

8. A comparison of actual expenditure and income with the revised budget estimates for the biennium is presented below:

Millions of US dollars

	Revised budget estimates US$ 1 = ATS 12.6335	Actuals 1998-1999	Under-utilization	%
Expenditure	168.5	151.1	17.4	10.3
Income	36.7	30.2	6.5	17.6
Net	131.8	120.8	11.0	8.3

9. Comparisons of budget estimates with actual expenditure and income by major programme and major object of expenditure are presented in tables 4 and 5 respectively. Explanations of underutilization by major programme and major object of expenditure are provided in the following paragraphs.

D. Underutilization of the budget

10. The net underutilization of the budget of $11.0 million (8.3 per cent) comprised an under-expenditure on appropriations of $17.4 million (10.3 per cent) and a shortfall in income of $6.5 million (17.6 per cent). The major factor contributing to underutilization was the lack of sufficient cash resources throughout the biennium to implement the budget due to the uncertain cash flow, a shortfall in the collection of arrears and the non-availability of additional funds ($10 million) during the implementation of the staff separation programme. The difficult financial situation at the beginning of 1998 led to the introduction of emergency measures to restrict expenditures and restore cash balances to ensure a reasonable level of financial security resulting in the replenishment of the Working Capital Fund ($6.6 million) for the first time since November 1995. The emergency measures consisted of delayed recruitment of staff and reduction in expenditure levels under consultants, travel, language and documentation services, printing, general operating expenses and other items.

E. Financial implementation by major programme

11. The underutilization of the budget in most of the major programmes was mainly due to the lack of sufficient cash resources, as described in paragraph 10 above. Other savings could be achieved due to UNIDO's initiative to reduce costs. The savings of $0.4 million (6.5 per cent) achieved under major programme A (Policy-making Organs) mainly resulted from the reduced length and volume of documentation and its related costs under language and documentation services, including printing of documents. The savings of $0.1 million (0.9 per cent) under major programme B (General Management) were mainly attributable to savings in general operating costs of the UNIDO offices in New York and Geneva and public information activities. The underutilization of $4.5 million (10.9 per cent) in major programme C (Strengthening of Industrial Capacities) was mainly due to a large number of vacant posts and underexpenditure under consultants, IDDA supplementary activities, *ad hoc* expert group meetings, travel and language and documentation services. The level of underutilization reached in major programme D (Cleaner and Sustainable Industrial Development) amounts to $3.0 million (20.7 per cent) and mainly resulted from a high vacancy rate, redeployment of technical cooperation funds to other programmes and underutilization of language and documentation services. The underutilization of $2.0 million (9.8 per cent) in major programme E (Regional Programme Management) was also mainly due to a higher vacancy rate, underutilization of international travel of UNIDO Representatives, field operating costs and language and documentation services. The excess of expenditures over approved budget estimates under major programme F (Technical Cooperation Management) mainly resulted from redeployment of IDDA supplementary activity and Regular Programme of Technical Cooperation (RPTC) funds to this programme for administrative purposes only.

12. The underutilization of $7.7 million (11.5 per cent) in major programme G (Administration) was mainly due to cost-saving measures in Buildings Management Service resulting in a higher staff vacancy rate and savings under general operating costs, supplies and materials, acquisition of furniture and equipment and the essential requirements programme.

13. Reductions in expenditure in major programme G (Administration) had a direct impact on cost reimbursement income, as described in paragraph 20 below. The reduced level of income under major programme E (Regional Programme Management) reflected the lower-than-anticipated financial contributions of Governments to the costs of UNIDO field offices.

[1] See document IDB.23/3-PBC.16/4, annex III (Notes to the financial statements), note 2(a).

F. Financial implementation by major object of expenditure

14. The underutilization of budgeted staff costs of $1.5 million (1.6 per cent) comprises:

	Millions of US dollars
Salaries	3.2
Common staff costs	(2.2)
Consultants	0.2
Ad hoc expert group meetings	0.1
Other	0.2
Net underutilization	1.5

15. The underutilization of budgeted salary costs was mainly due to the higher-than-budgeted vacancy factors for Professional and General Service posts and variations between actual and standard salary costs.

16. The following cost reduction measures were taken to reduce cash outflow and achieve expenditure reductions due to inadequate levels of cash resources:

(a) Restriction of external recruitment to posts with specialized expertise in priority substantive programmes or essential managerial functions;

(b) Lower utilization of consultant services and ad hoc expert group meeting funds;

(c) Restrictions on hiring of general temporary assistance staff and payment of overtime;

(d) Cutbacks in documentation, reducing translation and related services together with printing costs.

17. Underutilization of travel of $0.8 million (36.2 per cent) resulted from a general curtailment of staff travel. The cutbacks for supplies and materials, replacement of furniture and equipment as well as the postponement of VIC maintenance work resulted in an underutilization of the budget for these objects of expenditure of $3.2 million (10.6 per cent).

18. The underutilization of the Regular Programme of Technical Cooperation (RPTC) and IDDA supplementary activities was at the level of $2.1 million or 15.1 per cent of the budget. This underutilization was mainly caused by cash shortages especially in the first year of the biennium. Though high priority was assigned to these activities in the second year, due to the requirement of having all such activities operationally completed by the second year of the biennium, the unutilized balance under this item could not be further minimized.

19. The underutilization of other expenses of $9.5 million or 40.8 per cent was related to both Policy-making Organs and Joint and Common Services, in particular those of conference services, including translation and interpretation.

C. Income

20. The deficit of income over the budget estimates comprises:

	Millions of US dollars			
	Budget	Actual	Surplus/ (deficit)	%
Cost reimbursement income	35.2	28.3	(6.9)	
Miscellaneous income	1.5	1.9	0.4	
Total	36.7	30.2	(6.5)	(17.6)

The deficit in cost reimbursement income of $6.9 million is directly related to the underutilization of the budgeted gross expenditure for VIC operating costs and lower-than-anticipated contributions of governments to the running costs of local UNIDO field offices. Miscellaneous income exceeded budget estimates by $0.4 million, as detailed in the following table:

	Millions of US dollars		
	Budget	Actual	Surplus/ (deficit)
Interest income on cash balances	1.4	1.6	0.2
Income from sale of publications	0.1	0.1	-
Prior year recoveries of expenditure	-	0.6	0.6
Exchange gains	-	(1.0)	(1.0)
Other	-	0.6	0.6
Total	1.5	1.9	0.4

II. OPERATIONAL BUDGET

21. The operational budget is funded mainly from support cost income earned on technical cooperation project delivery and from technical services provided by the Organization. Support costs to be financed during the biennium from operational budget income were presented in the programme and budget document (GC.7/21) and approved by the General Conference in decision GC.7/Dec.16.

22. The financial results for the biennium are as follows:

	Millions of US dollars		
	Budget (1)	Actual (2)	Balance (3)=(2-1)
Technical cooperation delivery	227.8	175.3	(52.5)
Income earned on delivery for technical services	27.6	20.7	(6.9)
Cost reimbursement from host Governments	0.6	0.2	(0.4)
Miscellaneous income	0.4	0.9	0.5
Total income	28.6	21.8	(6.8)
Expenditure	28.5	24.4	(4.1)
Surplus/(deficit)	0.1	(2.6)	(2.7)

23. A comparison of actual expenditure with the budget estimates, as contained in document GC.7/21, is presented in tables 6 and 7 by major programme and major object of expenditure, respectively.

24. As can be seen in the above table, although the shortfall in income was to a large extent offset by a reduction in expenditure, a deficit for the biennium was recorded in the operational budget. The reduction of the deficit was achieved by maintaining high vacancies in established posts and restricting non-staff resource allocations. The average vacancy factor for 1998-1999 for Professional posts was 25.3 per cent and for General Service posts 7.2 per cent. The deficit of $2.6 million from the 1998-1999 biennium decreased the combined operating reserve and fund balances in the operational budget to $1.6 million at 31 December 1999.

III. ACTION REQUIRED OF THE COMMITTEE

25. The Committee may wish to take note of the information provided in the present document.

Table 1

Revised budget estimates for 1998-1999 by major programme

(In thousands of US dollars at US$ 1 = ATS 12.90)

	Major programme	Approved budget 1998-1999 [a] (GC.7/21) (a)			Adjustments [b] (GC.8/12) (b)			Revised budget estimates 1998-1999 (c)=(a+b)		
		Gross	Income	Net (1-2)	Gross	Income	Net (4-5)	Gross	Income	Net (7-8)
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
A	Policy-making Organs	6,680.0	-	6,680.0	(594.4)	-	(594.4)	6,085.6	-	6,085.6
B	General Management	10,474.0	-	10,474.0	981.2	-	981.2	11,455.2	-	11,455.2
C	Strengthening of Industrial Capacities	42,017.5	-	42,017.5	(1,041.8)	-	(1,041.8)	40,975.7	-	40,975.7
D	Cleaner and Sustainable Industrial Development	14,415.0	-	14,415.0	(243.3)	-	(243.3)	14,171.7	-	14,171.7
E	Regional Programme Management	20,343.7	895.5	19,448.2	(129.0)	-	(129.0)	20,214.7	895.5	19,319.2
F	Technical Cooperation Management	7,567.6	-	7,567.6	(145.7)	-	(145.7)	7,421.9	-	7,421.9
G	Administration	44,400.8	13,954.1	30,446.7	20,774.7	19,601.7	1,173.0	65,175.5	33,555.8	31,619.7
	Miscellaneous income	-	1,508.3	(1,508.3)	-	-	-	-	1,508.3	(1,508.3)
	TOTAL	145,898.6	16,357.9	129,540.7	19,601.7	19,601.7	-	165,500.3	35,959.6	129,540.7

[a] Approved in decision GC.7/Dec.16.

[b] Reference PBC.14/6-IDB.20/7, approved in decision GC.8/Dec.12.

Table 2

Revised budget estimates for 1998-1999 by major object of expenditure

(In thousands of US dollars at US$ 1 = ATS 12.90)

Major object of expenditure	Approved budget 1998-1999 [a] (GC.7/21) (a)			Adjustments [b] (GC.8/12) (b)			Revised budget estimates 1998-1999 (c)=(a+b)		
	Gross	Income	Net (1-2)	Gross	Income	Net (4-5)	Gross	Income	Net (7-8)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
100 Staff costs	86,436.9	4,726.9	81,710.0	5,875.5	4,634.7	1,240.8	92,312.4	9,361.6	82,950.8
200 Official travel	2,192.1	3.3	2,188.8	4.6	3.5	1.1	2,196.7	6.8	2,189.9
300 Contractual services	694.7		694.7	-	-	-	694.7	-	694.7
400 General operating costs	16,869.2	9,845.4	7,023.8	11,239.9	8,877.0	2,362.9	28,109.1	18,722.4	9,386.7
500 Supplies and materials	780.8	104.8	676.0	113.8	89.9	23.9	894.6	194.7	699.9
600 Acquisition of furniture and equipment	473.1	167.1	306.0	187.5	148.0	39.5	660.6	315.1	345.5
700 EDP non-staff costs	4,164.1	-	4,164.1	-	-	-	4,164.1	-	4,164.1
800 Technical cooperation	13,676.7	-	13,676.7	-	-	-	13,676.7	-	13,676.7
900 Other expenses	20,611.0	2.1	20,608.9	2,180.4	5,848.6	(3,668.2)	22,791.4	5,850.7	16,940.7
Miscellaneous income	-	1,508.3	(1,508.3)	-	-	-	-	1,508.3	(1,508.3)
TOTAL	145,898.6	16,357.9	129,540.7	19,601.7	19,601.7	-	165,500.3	35,959.6	129,540.7

[a] Approved in decision GC.7/Dec.16.

[b] Reference PBC.14/6-IDB.20/7, approved in decision GC.8/Dec.12.

Table 3

Revisions to decision GC.7/Dec.16 (adjustment formula)

Major programme	GC.7/Dec.16, paragraph (c) (a)		Adjustments (GC.8/Dec.12) (b)		Revised budget estimates 1998-1999 (c)=(a+b)	
	US dollars	Austrian schillings	US dollars	Austrian schillings	US dollars	Austrian schillings
	(1)	(2)	(3)	(4)	(5)	(6)
Appropriations						
A. Policy-making Organs	551,100 +	(79,062,200 /R)	(44,600) +	((7,091,800) /R)	506,500 +	(71,970,400 /R)
B. General Management	2,592,700 +	(101,668,900 /R)	(220,000) +	(15,495,300 /R)	2,372,700 +	(117,164,200 /R)
C. Strengthening of Industrial Capacities	4,687,400 +	(481,558,180 /R)	115,400 +	((14,927,780) /R)	4,802,800 +	(466,630,400 /R)
D. Cleaner and Sustainable Industrial Development	1,541,900 +	(166,062,840 /R)	84,900 +	((4,233,640) /R)	1,626,800 +	(161,829,200 /R)
E. Regional Programme Management	12,563,500 +	(100,364,600 /R)	18,900 +	((1,907,900) /R)	12,582,400 +	(98,456,700 /R)
F. Technical Cooperation Management	658,000 +	(89,133,850 /R)	(13,100) +	((1,710,550) /R)	644,900 +	(87,423,300 /R)
G. Administration	2,612,500 +	(539,069,436 /R)	353,900 +	(263,428,010 /R)	2,966,400 +	(802,497,446 /R)
Subtotal appropriations	25,207,100 +	(1,556,920,006 /R)	295,400 +	(249,051,640 /R)	25,502,500 +	(1,805,971,646 /R)
Estimated income						
E. Regional Programme Management	895,500 +	(- /R)	- +	(- /R)	895,500 +	(- /R)
G. Administration	294,000 +	(176,215,120 /R)	295,400 +	(249,051,640 /R)	589,400 +	(425,266,760 /R)
Miscellaneous	662,100 +	(10,915,800 /R)	- +	(- /R)	662,100 +	(10,915,800 /R)
Subtotal estimated income	1,851,600 +	(187,130,920 /R)	295,400 +	(249,051,640 /R)	2,147,000 +	(436,182,560 /R)
TOTAL NET REQUIREMENTS	23,355,500 +	(1,369,789,086 /R)	- +	(- /R)	23,355,500 +	(1,369,789,086 /R)

Note 1: The net requirements shown above assume a ratio of 18 per cent in US dollars and 82 per cent in Austrian schillings at an exchange rate of US$ 1 = ATS 12.90.

Note 2: R represents the average United Nations exchange rate for Austrian schillings to US dollars experienced during 1998-1999, i.e. US$ 1 = ATS 12.6335.

Table 4

Regular budget

Financial performance report for 1998-1999 by major programme

(In thousands of US$)

Major programme	Revised budget 1998-1999 [a] at US$ 1 = ATS 12.90 (a)	Revised budget 1998-1999 at US$ 1 = ATS 12.6335 (b)	Actual expenditure/ income 1/1/98 to 31/12/99 (c)	Unutilized balance at 31/12/99 (d)=(b-c) (d)	Percentage (e)
Expenditure					
A Policy-making Organs	6,085.6	6,203.3	5,802.7	400.6	6.5
B General Management	11,455.2	11,646.8	11,544.6	102.2	0.9
C Strengthening of Industrial Capacities	40,975.7	41,738.8	37,198.7	4,540.1	10.9
D Cleaner and Sustainable Industrial Development	14,171.7	14,436.3	11,441.8	2,994.5	20.7
E Regional Programme Management	20,214.7	20,375.7	18,384.6	1,991.1	9.8
F Technical Cooperation Management	7,421.9	7,564.9	7,846.7	(281.8)	(3.7)
G Administration	65,175.5	66,487.7	58,834.3	7,653.4	11.5
Total expenditure	165,500.3	168,453.5	151,053.4	17,400.1	10.3
Income					
E Regional Programme Management	895.5	895.5	485.3	410.2	45.8
G Administration	33,555.8	34,251.3	27,868.4	6,382.9	18.6
Miscellaneous	1,508.3	1,526.1	1,857.8	(331.7)	(21.7)
Total income	35,959.6	36,672.9	30,211.5	6,461.4	17.6
TOTAL	129,540.7	131,780.6	120,841.9	10,938.7	8.3

[a] See table 1.

Table 5

Regular budget

Financial performance report for 1998-1999 by major object of expenditure

(In thousands of US$)

Major object of expenditure	Revised budget 1998-1999 [a] at US$ 1 = ATS 12.90 (a)	Revised budget 1998-1999 at US$ 1 = ATS 12.6335 (b)	Actual expenditure/ income 1/1/98 to 31/12/99 (c)	Unutilized balance at 31/12/99 (d)=(b-c) (d)	Percentage (e)
Expenditure					
100 Staff costs	92,312.4	93,911.5	92,439.0	1,472.5	1.6
200 Official travel	2,196.7	2,226.6	1,419.6	807.0	36.2
300 Contractual services	694.7	707.1	618.8	88.3	12.5
400 General operating costs	28,109.1	28,634.5	25,808.1	2,826.4	9.9
500 Supplies and materials	894.6	913.2	596.3	316.9	34.7
600 Acquisition of furniture and equipment	660.6	674.5	600.5	74.0	11.0
700 EDP non-staff costs	4,164.1	4,248.3	4,006.8	241.5	5.7
800 Technical cooperation	13,676.7	13,920.7	11,820.5	2,100.2	15.1
900 Other expenses	22,791.4	23,217.1	13,743.8	9,473.3	40.8
Total expenditure	165,500.3	168,453.5	151,053.4	17,400.1	10.3
Income					
100 Staff costs	9,361.6	9,543.3	8,861.6	681.7	7.1
200 Official travel	6.8	6.9		6.9	100.0
400 General operating costs	18,722.4	19,101.9	17,208.7	1,893.2	9.9
500 Supplies and materials	194.7	198.9	200.0	(1.1)	(0.6)
600 Acquisition of furniture and equipment	315.1	321.7	435.9	(114.2)	(35.5)
900 Other expenses	5,850.7	5,974.1	1,647.5	4,326.6	72.4
Miscelleneous	1,508.3	1,526.1	1,857.8	(331.7)	(21.7)
Total income	35,959.6	36,672.9	30,211.5	6,461.4	17.6
TOTAL	129,540.7	131,780.6	120,841.9	10,938.7	8.3

[a] See table 1.

Table 6

Operational budget

Financial performance report for 1998-1999 by major programme

(In thousands of US$)

Major programme	Approved budget estimates 1998-1999 at US$ 1 = ATS 12.90 (GC.7/Dec.16) (a)	Actual expenditure/income 1/1/98 to 31/12/99 (b)	Variance (c)=(a-b)
Expenditure			
A. Policy-making Organs	-	-	-
B. General Management	241.6	846.4	(604.8)
C. Strengthening of Industrial Capacities	9,891.1	7,572.7	2,318.4
D. Cleaner and Sustainable Industrial Development	4,559.1	2,806.8	1,752.3
E. Regional Programme Management	6,781.8	5,796.4	985.4
F. Technical Cooperation Management	4,154.2	4,135.9	18.3
G. Administration	2,897.5	3,264.3	(366.8)
Total expenditure	28,525.3	24,422.5	4,102.8
Income			
E. Regional Programme Management	605.1	180.6	424.5
Miscellaneous	430.0	270.7	159.3
Total income	1,035.1	451.3	583.8
TOTAL	27,490.2	23,971.2	3,519.0

Table 7

Operational budget

Financial performance report for 1998-1999 by major object of expenditure

(In thousands of US$)

Major object of expenditure	Approved budget estimates 1998-1999 at US$ 1 = ATS 12.90 (GC.7/Dec.16) (a)	Actual expenditure/income 1/1/98 to 31/12/99 (b)	Variance (c)=(a-b)
Expenditure			
100 Staff costs	26,033.3	22,911.8	3,121.5
200 Official travel	470.2	45.1	425.1
300 Contractual services	-	168.0	(168.0)
400 General operating costs	2,021.8	1,297.6	724.2
500 Supplies and materials	-	-	-
600 Acquisition of furniture and equipment	-	-	-
700 EDP non-staff costs	-	-	-
800 Technical cooperation	-	-	-
900 Other expenses	-	-	-
Total expenditure	28,525.3	24,422.5	4,102.8
Income			
100 Staff costs	120.3	-	-
400 General operating costs	484.8	-	-
Subtotal - (100+400)	605.1	180.6	424.5
Miscellaneous	430.0	270.7	159.3
Total income	1,035.1	451.3	583.8
TOTAL	27,490.2	23,971.2	3,519.0

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REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1998-1999

Comments of the Director-General on the report of the External Auditor

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Introduction

1. The present document provides the Director-General's comments on the report of the External Auditor covering the period 1998-1999 (PBC.16/4-IDB.23/3).

I. GENERAL COMMENTS

2. The Director-General appreciates the report, which contains useful analyses, observations and recommendations. He also welcomes the new format, which facilitates reading. The Director-General acknowledges that the audit function is based on critical assessment, as implied in paragraph 4 of document IDB.23/3-PBC.16/4, and is grateful to the External Auditor and her team for their constructive efforts.

3. In general, the Director-General suggests that the report be considered against the background of the extremely difficult circumstances under which he had to manage the Organization during the reporting period, as well as the improvements achieved despite those difficulties. The report makes no mention of the implementation of the staff separation programme at the beginning of 1998, which was a particularly significant challenge. While the General Conference requested the Director-General to implement the staff reduction programme, Member States did not provide the requisite funds. The Director-General swiftly implemented the programme with disbursements of only $10.9 million, or $5.9 million less than the $15.9 million originally estimated.

4. There were also numerous improvements in the administrative and financial management of the Organization, as acknowledged on several occasions by Member States, including the eighth session of the General Conference. Financial management and control, *inter alia*, notably improved during the reporting period. Despite delayed and unpredictable payment of assessed contributions, the financial situation of UNIDO has been stabilized. Similarly, as shown in paragraphs 5 to 7 below, Management Information Service (now Information Technology and Knowledge Management Section) was turned around during 1999, and there is a consensus that a new era has started for information technology in UNIDO.

II. SPECIFIC COMMENTS

Management Information System (paras. 78-80)[1]

5. The Director-General does not share the conclusions of the audit report on MIS. As regards the year 2000 (Y2K) problems, it should be pointed out that UNIDO has many electronic data-processing systems on a partition of the IAEA mainframe computer, and accounting systems are only a part of those. An amount of $750,000 was spent to make all UNIDO computer systems Y2K compliant, and not only the accounting systems. UNIDO systems on the IAEA mainframe are worth several million dollars. Considering that the transition of all systems to a modern client-server system is a multi-year, multi-million dollar project that entails considerable risks, an investment of $750,000 to gain time was not a waste of resources. Moreover, the Y2K work enabled UNIDO to select the best solution to replace its entire computer systems in a calm, objective and professional manner.

6. Concerning the audit opinion that UNIDO should have acquired off-the-shelf programmes early in 1998, it must be pointed out that the Director-General at that time had to deal not only with MIS issues but also with many other pressing and critical transformation matters—including a major staff reduction exercise—within extremely limited financial and human resources. The large amount of funds required to modernize the archaic systems was simply not available in 1998. A further dimension results from the insufficient management attention to MIS in the past decade, with the consequence that the accumulated MIS-related problems were enormous. Solutions required a strategic, in-depth analysis, including a review of courses of actions taken by IAEA and other United Nations organizations (such as IMIS—the Integrated Management Information System of the United Nations). The Cross-Organizational Team on MIS (COT) was created in early 1998 precisely for those reasons.

7. The COT recommendations were issued in June 1998, and most had been implemented by early 2000 despite meager resources, tremendous time pressure and other priority requirements (such as the need to address Y2K issues). These accomplishments were possible because of strong management commitment and the dedication of MIS staff. A new era for UNIDO MIS has started at last, as illustrated by the installation of a modern IT network, new PCs, and particularly the introduction of the new financial systems based on a commercial package adopted by IAEA, with which organization regular contact is maintained. The Director-General is convinced that delaying the implementation of the new financial systems until early 2000 was the appropriate course of action.

Reconstruction of Gate 1 of the Vienna International Centre (paras. 81-88)

8. The costs for modification of Gate 1 were included in the relevant budget submissions for Buildings Management for the 1996-1997 biennium. By approving the UNIDO budgets (which included Gate 1) the Member States approved the budgetary provisions

[1] Chapter titles refer to those in the report of the External Auditor (IDB.23/3-PBC.16/4).

related to the subject project. It is neither practical nor economical to include details of all projects and activities of the Organization in the programme and budget document.

9. Having said that, the Director-General recognizes that the manner in which the Gate 1 reconstruction was handled has been less than satisfactory. It should be noted that when he became aware of the situation in early 1998, work was in progress and the firm commitment that had been made to other VIC-based organizations in 1997 prevented any reversal of the decision. In recognition of the problems, the Director-General has taken measures to prevent a recurrence of these incidents, including the system of decision-making pertaining to activities under joint and common VIC services.

III. ACTION REQUIRED OF THE COMMITTEE

10. The Committee may wish to take note of the information provided in the present document.

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REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1998-1999

Comments of the Director-General on the report of the External Auditor

Corrigendum

The last sentence of paragraph 3 should read as follows:

The Director-General swiftly implemented the programme with disbursements of only $10 million, or $5.9 million less than the $15.9 million originally estimated.

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FINANCIAL REGULATIONS

Intersessional working group on proposed amendments to the financial regulations

Report of the Chairperson, H.E. Mrs. I. Freudenschuss-Reichl, Austria

Reports on the work of the Intersessional working group on its deliberations concerning amendments to the financial regulations in 2000.

1. The sixteenth session of the Board, in its decision IDB.16/Dec.9, established an informal intersessional working group and charged it with the task of studying proposed amendments to the financial regulations; the group met for the first time in December 1996. The working group agreed on a set of revised financial regulations (3.4(a), 5.1(d), 5.2(b), 10.1(b), 10.2(a) and 10.2(c)). The revisions endorsed by the group were submitted through the thirteenth session of the Programme and Budget Committee to the eighteenth session of the Board (September 1997). The Board, in turn, forwarded the revised financial regulations to the seventh session of the General Conference (December 1997), which decided that those amendments should be applied. The Board, at its eighteenth session, also requested the intersessional working group to continue its examination of the financial regulations.

2. In compliance with the decision of the eighteenth session of the Board, the working group continued its work, under the chairmanship of H.E. Mrs. Freudenschuss-Reichl (Austria). Thus, the working group held four meetings, on 17 April, 2 June, 30 June and 1 September 2000. At the first meeting, the Secretariat made presentations and circulated a *Background paper on the revision of financial regulations*, dated 18 April 2000. In addition, a communication from the External Auditor dealing with the issues under discussion was distributed to permanent missions of UNIDO on 25 May 2000. At the second meeting a letter was circulated, dated 31 May 2000, from the Permanent Mission of Germany that contained a proposal related to financial regulations 4.2(b) and 4.2(c).

3. The Intersessional working group discussed ways and means to minimize the negative effects on the work

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of the Organization resulting from late payment of assessed contributions.

4. There was general agreement in the Intersessional working group that all possible efforts should be undertaken to speedily eliminate arrears, re-establish voting rights and arrive at a situation in which—as a matter of course—all UNIDO Member States pay their assessed contributions in full and on time. There was also agreement that the question of timely and full payment (which has an important bearing on the standing of the Organization) was beyond the mandate of the Intersessional working group, but should not be lost sight of.

5. In its discussions, the Intersessional working group has been guided by several objectives. These objectives include:

- Ensuring full utilization of the approved regular budget, in particular the regular programme of technical cooperation;
- Encouraging payment of assessed contributions in full and on time;
- Avoiding repeated suspension of financial regulations;
- Maintaining Member States' control over the budget;
- Eliminating unnecessary administrative procedures that diminish the efficiency of the Organization;
- Aiming at consistency with the situation in other international organizations.

6. The Intersessional working group has so far discussed three proposals—a special account for the Regular Programme of Technical Cooperation, a special account for Buildings Management, and a model building on experience within other organizations that would allow keeping the unutilized balances in the Organization—with a view of arriving at recommendations to be submitted to the Programme and Budget Committee.

7. The working group was briefed on the question of re-grouping major objects of expenditure and heard various views of Member States on the issue.

8. The Intersessional working group also discussed the desirability of increasing the level of the Working Capital Fund. The current situation—which provides coverage for approximately one month of the approved regular budget expenses—was found to be in general harmony with the relevant guidelines of the Joint Inspection Unit and the working group suggested no further action.

9. Concerning the issues enumerated in paragraph 6 above, Member States, while gratefully acknowledging the useful information already provided by the UNIDO Secretariat, have requested the Secretariat to provide additional information on technical issues and concurrently, Member States will continue a dialogue with capitals on the policy implications of possible solutions.

10. The Chairperson of the working group therefore submits the present interim report to the Programme and Budget Committee at its sixteenth session and—mindful that any change in the Financial Regulations of UNIDO would have to be adopted by the ninth session of the General Conference of UNIDO in December 2001—is prepared to continue its deliberations with a view to formulating concrete recommendations to the seventeenth session of the Committee (April 2001). That session would thus be in a position to forward its recommendations to the twenty-fourth session of the Industrial Development Board (June 2001), which would subsequently transmit those recommendations to the General Conference.

ACTION REQUIRED OF THE COMMITTEE

11. The Committee may wish to consider the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the interim report of the Chairperson of the Intersessional working group on proposed amendments to the financial regulations (PBC.16/10-IDB.23/8);

"(b) Encourages the Intersessional working group to continue its deliberations with a view to submitting proposed amendments to the financial regulations to the seventeenth session of the Programme and Budget Committee."

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GLOBAL FORUM ACTIVITIES

Report by the Director-General

Provides advance information on the new strategy being developed for activities under the UNIDO global forum function, including research, to be supplemented by a presentation or by additional information to be provided by the Office of Strategic Research and Economy established earlier this year.

Introduction

1. UNIDO's dual role of providing technical cooperation services and a global forum function has been emphasized for some years. Indeed, the global forum function has been presented as complementary to, and almost distinct from operational activities, yet in reality the dividing line between the two is not clear cut since the global forum function serves to guide technical cooperation response and vice versa. This elusiveness lies in the fact that "doing" and "thinking" feed into each other and are mutually reinforcing, as pointed out by the Director-General to the Board at its twenty-first session. UNIDO's "doing" must be enhanced by up-to-date "thinking", including critical reflection on the validity of its work, while the "thinking" must be relevant to what UNIDO is currently "doing" and must take into account what is experienced in the field. Although it is difficult to separate the two in practice, an operational definition of global forum activities is warranted:

> *Global forum activities are those which are initiated by UNIDO (or the United Nations system) to exchange and disseminate knowledge and information, as well as facilitate partnerships, producing an "output", without a pre-identified client, which increases understanding of sustainable industrial development and solutions.*

2. Global forum activities have informative, advocative and normative functions. They serve to enrich the understanding of UNIDO and others of the industrial development process; to build valuable partnerships with academia, the private sector and civil society and expand such networks, and permit UNIDO to participate in setting the development agenda. At the same time, such activities contribute to image-building and increasing the external visibility of the Organization.

I. TYPES OF GLOBAL FORUM ACTIVITIES

3. Global forum activities are all concerned with knowledge enhancement but they are numerous and heterogeneous in nature. They include:

Regional forums and conferences—These are high-level events, often with a wide audience, addressing pertinent issues of development and UNIDO's role therein.

Working groups—These meetings include expert group meetings or subsector panel discussions and similar

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activities. They tend to discuss topics of a more technical nature. However, meetings that provide "input" to an internal UNIDO working process are intermediate products and would not be considered global forum activities as such.

Active participation in United Nations activities—Participation in United Nations meetings, such as the recent "Copenhagen + 5" or "LDC-III" to be convened in 2001, is central to UNIDO's mandate. It reinforces UNIDO's role in the United Nations system and strengthens inter-agency cooperation.

Presentations at external meetings—UNIDO is invited to a large number of external events every year, many of them in the environmental sector. Presentations, side events or position papers that are prepared for such meetings contribute to the global forum function.

Publications—Publications reflect UNIDO's profile and are vital for the dissemination of information, permitting UNIDO to reach a very large audience. A flagship publication will be launched next autumn: *The World Industrial Development Report 2001*.

Statistics and data collection—UNIDO is the officially appointed United Nations depository of industrial statistics for developing countries and countries in transition. It ensures international comparability of industrial data and standards. Analytical information on industrial policy is being produced and an "industrial toolbox" is currently being prepared to collect such knowledge.

Conventions, norms and standards—Examples of such activities are those related to the Montreal Protocol, the United Nations Framework Convention on Climate Change, and support in the accreditation and articulation of ISO 9000 and ISO 14000 series. An agreement with the International Laboratory Accreditation Cooperation to promote mutual recognition is under way.

Partnerships and networks including research agreements—UNIDO is building a network with academic institutions which contributes to the research needs of the Organization. The Organization also acts as an "honest broker" in forging partnerships within the private sector. Other networks include the UNIDO Exchange, an electronic platform.

II. DEVELOPING A STRATEGY FOR GLOBAL FORUM ACTIVITIES

4. A main reason for developing a strategy for UNIDO global forum activities (GFAs) is to be able to focus the work UNIDO is doing in this area. Until now, a clear focus of the activities has been lacking. Given a concurrent lack of resources, this implies that clear messages, and therefore also the intended impact, have been scarce.

5. As explained above, GFAs are inseparably linked to technical cooperation activities, and the strategy developed will have to rely on the overall corporate strategy of UNIDO and, if required, will have to be changed accordingly.

6. A strategy focusing GFAs will have to relate to UNIDO's niche. In finding its niche, UNIDO should take into account its strengths and assess the Organization's capabilities and capacities. Such strengths should be measured against the needs of recipient countries in order to assess the demand for UNIDO's services and activities, while also bearing in mind the mandates of other United Nations organizations.

7. UNIDO is the only United Nations organization with a mandate to promote industrial development and cooperation and has accumulated technical expertise in this domain for over 30 years. Combating poverty through industrial development is central to UNIDO's work. In supplying public goods, UNIDO strives to enhance equity and reduce marginalization. UNIDO has a strong environmental profile, and supporting private sector development also forms an important part of the Organization's work. In addition, UNIDO has the status of a centre of excellence in the area of industrial statistics, providing data for industrial policy formulation and for monitoring industrial progress worldwide.

8. The integrated delivery of technical services is already an approach that UNIDO offers which should be strengthened. Likewise, UNIDO GFAs should also encourage an integrated approach. The three E's—competitive economy, sound environment and productive employment—are not isolated targets, but interrelated parts that require a combined approach to achieve sustainable industrial development. Industrial policies, upgraded competitiveness, increased productivity, environmentally friendly solutions, alleviation of poverty and problems of distribution must be tackled in a holistic way if equitable and sustainable industrial development is to be achieved.

9. Globalization is posing new problems for developing countries, especially least developed countries (LDCs), which are facing tremendous difficulties in gaining access to global markets (never mind competing in them), rather than benefiting from globalization. UNIDO has an obligation to help these countries and hence the strengths of the Organization must relate to the countries' needs to overcome such problems.

10. Emphasizing the strengths of UNIDO and the needs of recipient countries combined with better integration to address all aspects of sustainable

industrial development indicate the direction a strategy should take; namely, greater focusing of activities.

III. FOCUSING GLOBAL FORUM ACTIVITIES IN 2000-2001—AN UMBRELLA THEME

11. A first step in developing a strategy for overall GFAs of UNIDO has been to define an umbrella theme for the period 2000-2001. In a very concrete manner the umbrella theme will enable UNIDO to focus its activities and to deliver clear messages. It will also have the result of economizing on scarce resources and will generally add to the visibility of the Organization.

12. UNIDO priority areas are tied to poverty alleviation, solving the problems of LDCs, connecting the poorest to the process of globalization and the means of achieving these objectives by way of sustainable industrial development. Therefore, it has been decided that, for the period leading up to the ninth session of the General Conference in December 2001, UNIDO GFAs will as far as possible be coordinated under a common umbrella: "Marginalization vs. Prosperity: The Challenge Ahead".

13. The theme will be clearly recognizable in UNIDO-arranged global and regional forums and conferences, as well as in the planned flagship publication *World Industrial Development Report*. It will also penetrate UNIDO presentations and speeches delivered at major events to which UNIDO is invited, but it will of course not influence permanent services such as statistics. Importantly, it will link up with the overall United Nations approach since this theme is already at the heart of the Secretary-General's initiatives as seen at the United Nations Millennium Assembly, including the Millennium Report.

14. By focusing on "Marginalization vs. Prosperity: The Challenge Ahead", UNIDO will highlight its potential for being constructive in tackling one of the most serious and at the same time most controversial issues on the current international development agenda: marginalization stemming from the process of globalization. It will present UNIDO as an organization that recognizes that the market forces of globalization are leaving a considerable number of stagnating, low-income communities out of the process. But at the same time, it will also emphasize that UNIDO is an organization that is able to offer solutions for the needed dynamic change—productivity gains, upgraded competitiveness and increased incomes through the process of industrialization.

15. The umbrella theme will also be an obvious possibility to present UNIDO's potential for achieving sustainable industrial development by way of integrating environmental measures with the advice given for dynamic change, which could counteract marginalization.

16. Energy efficiency and food safety offer important contributions to increased productivity and the upgrading of competitiveness. Rural energy development is not only important for making ordinary life of rural families sustainable, it is also imperative if industrial development, and especially new information technologies, should be able to spread to rural areas. Cleaner production is an important way of removing excess inputs from the production process and utilizing non-product outputs, thereby improving productivity and competitiveness while promoting resource management. Montreal Protocol solutions might be a prerequisite for accessing foreign markets, and thus for competing in global markets.

17. Focusing UNIDO GFAs under the umbrella theme will demonstrate that UNIDO has both the dedication and the experience needed for bridging marginalized communities with the global market.

IV. RESEARCH PARTNERSHIPS

18. As part of its GFAs, UNIDO began a process of developing strategic research partnerships with universities and other centres of excellence in the research community in 1999. The idea is to create a network of partnerships and lasting contacts that will enable UNIDO to draw on the best and most imaginative minds of academia when designing its activities in support of sustainable industrial development.

19. While it is imperative that UNIDO preserve its own capacity for carrying out research and insist on being an independent source of high-quality expertise, resource limitations and the need to prioritize must be acknowledged. By forming strategic partnerships, the Organization will gain leverage and achieve excellence in more fields than would otherwise be possible.

20. A main reason for conducting research is to enhance existing knowledge—a role central to UNIDO's global forum function. By generating new information and contributing to the process of solving specific problems, research not only provides a public good but also fosters innovation.

21. While reflecting the overall research considerations of UNIDO, strategic research should be focused on topics of special importance to the development of the Organization's activities. It should be emphasized that a basic rationale for investing in strategic research is to strengthen UNIDO technical cooperation in the field. Bridging research institutions with people dealing directly with problems of technical cooperation is a means of sharing knowledge beneficial

to both parties—asking the right questions to the research world and then putting their answers to work in the field. Therefore, the strategic research agenda will focus on applied as opposed to basic research.

22. In 1999, UNIDO finalized memorandums of understanding, for an initial period of two years with the University of Oxford and with Moscow State University. This year an agreement with the Department and Laboratory of Theoretical and Applied Economics (DELTA) in Paris will be finalized and a number of other partnerships are under consideration.

23. A special aim of the research strategy will be the enhancement of North-South cooperation by involving developing countries in the university network order to achieve this, UNIDO will seek partnerships with suitable universities or research institutions in the South. This will result in the enhancement of knowledge, capacity-building and eventually ownership of development programmes, thereby contributing to countries' struggle against marginalization.

24. The strategy for research partnerships being developed will include an appropriate research agenda and the planning of publications.

V. ACTION REQUIRED OF THE BOARD

25. The Board may wish to take note of the information provided in the present document.

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Industrial Development Board

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Item 5 of the provisional agenda

FIELD REPRESENTATION

Report by the Director-General

Provides information on the status of UNIDO offices in the field as of 31 August 2000.

Introduction

1. A number of reports on UNIDO field representation have been prepared and submitted to the policy-making organs in recent years as called for in various mandates. Since the adoption of the Business Plan in 1997, the following reports on field representation have been issued to the Board: IDB.19/11, IDB.19/CRP.8, IDB.20/16, IDB.20/CRP.16, IDB.21/10 (chap.VI), IDB.21/19 and IDB.22/2 (chap.I.B).

2. The drastic reduction of UNIDO's core budget since 1995, the withdrawal of United Nations Development Programme (UNDP) support since 1997, and the lower-than-expected volume of technical cooperation projects in UNIDO have constrained the ability of the Organization to strengthen the field programme and further decentralize as mandated by the Member States in the Business Plan. Decentralization was the subject of a conference room paper submitted to the sixteenth session of the Programme and Budget Committee (PBC.16/CRP.5). In its conclusion 2000/5, the Committee invited the Director-General to conduct consultations with Member States to identify a course of action to bring about effective decentralization. The results of the consultations will be covered in separate documentation to be issued to the Board. The present document reports on the status of field offices as of 31 August 2000.

I. NUMBER AND LOCATION OF FIELD OFFICES

3. Through extensive consultations with Member States, including some donor countries, UNIDO selected the location of regional offices based on qualitative and quantitative criteria. The offices selected are:

Africa	Ethiopia, Zimbabwe
Arab	Egypt, Lebanon
Asia and Pacific	India, Thailand
Latin America and Caribbean	Colombia, Uruguay

Subsequently, the Nigeria office was made a UNIDO regional industrial centre.

4. The methodology and rationale for this selection were set out in document IDB.21/19 of 6 May 1999, and the core structure of the regional offices was detailed in

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Director-General's Administrative Instruction No. 12 of 8 October 1999. All the selected regional offices are operational with a single exception. The heads of the established offices—four of whom were redeployed from the Office of the Director-General—have taken up their assignments, and it is expected that the technical staffing will also be in place by the end of 2000.

5. At present, UNIDO has 22 country-level field offices and 9 regional offices, bringing the total to 31 field offices, for which a breakdown is provided in the annex to the present document.

II. REDEPLOYMENT OF STAFF AND RESOURCES

6. The Business Plan also called for the redeployment of resources and Professional staff to the field. In pursuance of this objective, UNIDO has increased its allocation of financial resources and concentrated on the redeployment of Headquarters staff. In financial terms, UNIDO increased the field programme budget for the biennium 2000-2001 by $5 million (from $18 million in 1998-1999 to $23 million in 2000-2001), representing an increase of 28 per cent. In terms of staff, the increase amounted to 43 per cent (from 35 posts for field offices in 1998-1999 to 50 in 2000-2001).

7. Most of the regional offices are headed by redeployed Headquarters staff, and the redeployment of 18 technical staff from Headquarters to the regional offices is under way. At present there are 24 UNIDO Professional staff in the field, of which 22 or 92 per cent were redeployed from Headquarters. An additional 26 are expected to be fielded by the end of the year.

III. EMPOWERMENT

8. Documentation issued to previous Board sessions provided detailed information concerning administrative instructions to enable field offices to take decisions on programmatic activities, the purchase of equipment, hiring of local consultants and field-level coordination with United Nations agencies. Management is now embarking on the provision of funds to field offices to undertake programmatic activities. Funds have been provided to the offices in India and Nigeria, with allocations to other field offices to follow shortly.

9. Despite the efforts reported to the Board in previous documents, it has not yet been possible to realize the full objective of effective decentralization through the transfer to the field of substantive responsibility for programme formulation, development and implementation. An improvement in this situation is linked to the overall question of decentralization and will be covered in the consultations with Member States to be conducted in line with Programme and Budget Committee conclusion 2000/5.

IV. HOST COUNTRY AGREEMENTS AND CONTRIBUTIONS

10. Gradual progress has been made with regard to host country agreements and contributions in support of local operating costs. Experience has shown that the review and consideration of agreements are time-consuming owing to the legal and administrative modalities prevailing in host countries. Table 1 shows the countries with which agreements have been signed, as well as those with which agreements are at an advanced stage of negotiation.

Table 1. Host country agreements
As of 31 August 2000

Signed	Advanced stage of negotiation
Colombia	Egypt
Côte d'Ivoire	Morocco
Ghana	Thailand
Lebanon	Zimbabwe
Tunisia	
Turkey	

Iran (Islamic Republic of)—Country office based on memorandum of understanding with Government (cost-sharing by host Government).

Uruguay—Regional office established based on memorandum of understanding with UNDP (cost-sharing through in-kind contribution).

11. Local contributions in support of country offices have not measured up to expectations, despite efforts by the Secretariat. Table 2 shows host country cash contributions to support local operating costs. In-kind contributions are also received from some host countries (Cameroon, China, Colombia, Côte d'Ivoire, Egypt, Ghana, Guinea, Indonesia, Iran (Islamic Republic of), Lebanon, Sudan, Tunisia, Uganda, Uruguay and Viet Nam) for example through the provision of local staff, premises, furniture and equipment, maintenance and repair and utility costs.

Table 2. Cash contributions received from host countries, 1 January – 31 August 2000 (In US dollars)

Africa	Cameroon	34,029
	Nigeria	83,250 or 110,000*
	Togo	36,895*
Arab	Algeria	34,000*
	Egypt	89,940**
	Lebanon	13,284*
	Sudan	3,030*
	Tunisia	14,420*
Asia and Pacific	China	34,000*
	Pakistan	9,272
	India	115,000
Europe	Turkey	200,000
Latin America and Caribbean	Colombia	10,000

* Informed but not yet received
** Under negotiation

V. UNIDO FIELD OFFICES WITHIN THE UNITED NATIONS SYSTEM

12. UNIDO field offices maintain close contact with other United Nations agencies at the field level, including bilateral donor representatives and development finance institutions. The offices participate as active members of the United Nations country teams playing a critical role in the Common Country Assessments and the United Nations Development Assistance Framework (UNDAF) processes. They are fully integrated into the growing network of United Nations entities to yield increased efficiency through sharing of support services and reduced administrative costs.

VI. ACTION REQUIRED OF THE BOARD

13. The Board may wish to take note of the information provided in the present document.

Annex

UNIDO FIELD OFFICES AS AT 31 AUGUST 2000

	AFRICA	ARAB	ASIA	EUROPE/NIS	LATIN AMERICA/ CARIBBEAN
Regional office	Ethiopia	Egypt	India		Colombia
	Nigeria	Lebanon	Thailand		Uruguay
	Zimbabwe				
Country office	Cameroon	Algeria	China	Turkey	Bolivia
	Côte d'Ivoire	Morocco	Indonesia		Mexico
	Ghana	Sudan	Iran, Islamic Rep. of		
	Guinea	Tunisia	Pakistan		
	Kenya		Philippines		
	Madagascar		Viet Nam		
	Senegal				
	U. R. of Tanzania				
	Zambia				

Remarks: Ghana/UR under recruitment.
Guinea/UR under recruitment.
Zambia/UR under recruitment.
Morocco/UR under recuitment.
Iran, Islamic Republic of/UR under process of recruitment.
Philippines/UR under recruitment.
Turkey/UNIDO Centre for Regional Cooperation.
Mexico/UR under recruitment.

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UNIDO GLOBAL ENVIRONMENT FACILITY ACTIVITIES

Report by the Director-General

Reports on the progress made to implement activities outlined in GC.8/Res.2 and on the GEF Council decision to grant UNIDO expanded opportunities.

Introduction

1. The supporting statement for the supplementary item on UNIDO Global Environment Facility (GEF) activities is contained in the annotated provisional agenda (IDB.23/1/Add.1). The present document updates the information provided to the Board at its twenty-second session in document IDB.22/4.

I. GEF COUNCIL DECISION

2. At its meeting held from 9 to 11 May 2000, the GEF Council approved the proposal of the Chairman, Mr. M. El-Ashry, to expand opportunities for executing agencies beyond the regional development banks and include UNIDO and FAO in that category. Following the practice with respect to executing agencies that had been granted this enhanced status earlier, GEF will take a number of steps to quick-start its working relationship with UNIDO. This will be done mainly through an exchange of visits, familiarization seminars and agreements to facilitate UNIDO's direct access to GEF project preparation funds. The following paragraphs provide illustrative examples of the efforts of both UNIDO and GEF to pave the way for future cooperation.

II. ENHANCING POTENTIAL FOR UNIDO COOPERATION

3. A number of GEF-related missions have taken place at various levels in recent months. In September 2000, the Director-General and the Managing Director of the Sectoral Support and Environmental Sustainability Division visited the GEF Secretariat in Washington and met with the GEF Chief Executive Officer, Mr. El-Ashry. The main purpose was to discuss ways to expedite UNIDO's participation in GEF activities, following the decision of the GEF Council to grant UNIDO expanded opportunities.

4. Earlier missions covered the United States of America Department of State, UNDP, the World Bank and the GEF Secretariat. Since the twenty-second session of the Board, the formulation and implementation of GEF-related projects was the subject of discussions with UNDP and GEF in a number of developing countries. Visits to major donor countries (Denmark, France, Germany, Italy, United Kingdom) promoted UNIDO involvement in GEF-funded projects. Visits were also undertaken to cover China, Cuba, India, Kenya, Nigeria, Venezuela and Viet Nam.

5. Participation in selected conferences also served to enhance UNIDO's visibility as a potential partner for

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execution of GEF projects. In June 2000 UNIDO took part in the Black Sea/Danube Basin stocktaking meeting in Istanbul, and will also participate in the first GEF Biennial International Waters Conference in Budapest in October 2000.

6. Within the framework of the ninth session of the Commission on Sustainable Development preparatory work, both at the Inter-agency Committee on Sustainable Development meeting and at the expert group meeting on energy and natural resources, contacts were made with GEF representatives to discuss possibilities for increased cooperation. In the area of climate change, a UNIDO delegation attended the thirteenth session of the United Nations Framework Convention on Climate Change Subsidiary Bodies which took place in Lyon, France, in September 2000.

7. Recognizing that familiarization is a precondition to successful project development and implementation, and in line with the approach followed for the regional development banks, a number of steps will familiarize staff of both GEF and UNIDO with each other's institutions and policies, including agreements on UNIDO's more active participation in GEF activities. At the regional level, and in line with the UNIDO priority for Africa, a first awareness workshop for UNIDO Representatives on a regional basis will take place in October in Lagos, Nigeria. All UNIDO Representatives covering African countries and a number of GEF Focal Points will be invited to attend. The workshop will sensitize participants to UNIDO's competencies and approaches, thereby enabling them to better appreciate the technical capabilities of the Organization.

8. Parallel to the workshop, a number of Headquarters staff will take part in the two-day GEF staff familiarization seminar to take place in November at the GEF Secretariat in Washington. Participants and GEF staff will work through a mixture of formal presentations, case studies and discussions covering key policies, programmes, procedures and criteria. For the first time, UNIDO has been invited to a GEF Council meeting in its capacity as executing agency with expanded opportunities, and will participate at the senior level in the meeting to be held in Washington, D.C., from 1 to 3 November 2000.

III. PROJECTS

9. Enhancing the potential for UNIDO to be included in project execution, senior staff involved in project formulation visited Chile for the Humboldt Current Large Marine Ecosystem (LME), Cuba for the Gulf of Mexico LME and Honduras for the Pacific Central America Coastal LME, including Gulf of Fonseca projects.

10. In the area of persistent organic pollutants (POPs), a project formulation mission to discuss with UNDP the project "Demonstration of viability and removal of barriers that impede adoption and effective implementation of available, non-combustion technologies for destroying persistent organic pollutants" was undertaken in May 2000. In addition, discussions were advanced with the Danish Government and DANIDA on cooperation and co-financing of POPs projects, bearing in mind the priority geographical focus on Africa and South-East Asia. The following projects and programmes were identified for joint formulation:

- TEST (transfer of environmentally sound technology) approach to POPs and heavy metals;
- Research, development and industrial scale-up of environmentally friendly pesticides;
- Development and production of neem products as environmentally friendly pesticides.

11. Project formulation activities have also advanced in four energy-related projects:

- Industrial boiler efficiency, India;
- Co-generation in cement industry, India;
- Industrial energy efficiency in selected industrial enterprises, Cuba;
- Sustainable energy options for the Island of Youth, Cuba.

12. UNIDO is to play a major role in the project on preparation of a strategic action programme (SAP) for the Dnieper River Basin and development of SAP implementation mechanisms. UNIDO will be the lead agency for two of the largest components of the $1.2 million project, for which implementation has started with preparation of the detailed work plan in Belarus, Russian Federation and Ukraine and arrangements for the stocktaking meeting to be held in November. The management of water quality in the Basin will affect not only the quality of life of the tens of millions of people who rely on the river as a source of water, but will also reduce pollution and excess nutrients' contribution to pollution.

13. Aiming at improving food security, water quality and environmental security, and thereby contributing to the eradication of poverty and hunger for 16 West African countries, a $146,000 project to develop a strategic action plan for the Guinea Current large marine ecosystem has been approved. Implementation has commenced by fielding the regional coordinator, who will organize a stocktaking meeting for the participating countries and all parties involved to be held in December.

IV. ACTION REQUIRED OF THE BOARD

14. The Board may wish to take note of the information provided in the present document.

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Item 10 of the provisional agenda

ACTIVITIES OF THE JOINT INSPECTION UNIT

Follow-up to recommendations of the Joint Inspection Unit

Report by the Secretariat

Reports on progress to develop a system of follow-up to JIU recommendations, as requested by the Board in decision IDB.22/Dec.7.

Introduction

1. Board decision IDB.22/Dec.7, paragraph (c), "Encouraged the UNIDO Secretariat to continue its dialogue with the Joint Inspection Unit with a view to developing a system of follow-up to Joint Inspection Unit recommendations in full consultation with all Member States and in due time, and to report thereon to the Industrial Development Board at its twenty-third session." In compliance with that decision, a pilot scheme is currently under discussion by the UNIDO Secretariat and the Joint Inspection Unit (JIU) that could be implemented within available resources.

2. The scheme takes into account relevant United Nations General Assembly resolutions, including resolution 50/233, which established the principle that the impact of the Unit on the cost-effectiveness of activities within the United Nations system is a shared responsibility of the Member States, the Unit and the secretariats of the participating organizations. In addition, resolution 54/16, adopted on 29 October 1999, endorsed the system of follow-up to the JIU reports contained in annex I to document A/52/34 and requested that the system be implemented expeditiously. [1]

3. In developing a follow-up scheme for UNIDO, constraints are encountered both at the level of the governing bodies and within the Secretariat, as summarized in the following paragraphs. The present document constitutes an interim progress report, as the Secretariat continues its dialogue with the JIU to implement decision IDB.22/Dec.7 in line with the requirements stipulated by the General Assembly.

I. LEGISLATIVE ORGANS

4. Involvement of legislative organs in the system of follow-up as endorsed by the General Assembly is

[1] Copies of General Assembly resolutions 50/233 and 54/16 and of annex I to document A/52/34 are available from Documents Distribution (telephone 26060-3240), or at the Documents Distribution counter outside the Board Room during the session.

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covered in paragraphs 11, 12 and 23 of annex I to document A/52/34, as follows:

> 11. "With the assistance of the executive heads, the legislative organs should plan their work programmes so that sufficient time is allocated to allow for active and serious consideration of the relevant JIU reports.
>
> 12. "The legislative organs should take concrete action on each recommendation of a JIU report under consideration, as called for in paragraph 8 of General Assembly resolution 50/233, rather than just taking note of the report as a whole. This is a necessary requirement for JIU reports to have impact, in view of article 5, paragraph 5, of the JIU statute, which provides that the Inspectors of the Unit may make recommendations but have no power of decision."
>
> 23. "In accordance with article 12 of the JIU statute, the legislative organs should systematically verify the implementation of approved recommendations and request the Unit to issue follow-up reports as they deem appropriate."

5. In UNIDO, these procedures would apply to the Industrial Development Board, which is the policy-making organ that considers JIU recommendations. In its consideration of the procedures, the Board may wish to take into account a number of relevant aspects, including relative priority of agenda items for respective sessions and the feasibility of holding slightly longer sessions to accommodate the active and serious consideration of the reports.

II. SECRETARIAT

6. At the level of the Secretariat, resource constraints must be considered in connection with a number of the procedures called for by the General Assembly. For example, paragraph 6 of annex I to document A/52/34 calls for the executive heads to distribute JIU reports immediately, with or without their comments to the Member States of their organizations. The Secretariat proposes to comply with this requirement by distributing informally to the Permanent Missions accredited to UNIDO those reports of relevance to UNIDO, attached to an information note—an approach that would require only very limited staff time and minor printing costs. Should reports be distributed to Ministries in capitals, the procedure would be more labour-intensive, possibly entailing costly translations and duplication of work if other organizations are also to distribute copies of JIU reports.

7. Paragraphs 19-22 of annex I to document A/52/34 refer to action to be taken by the Secretariat following the consideration by the legislative organs of JIU recommendations. The principle mechanism is a chart (matrix) for follow-up action in respect of each report considered by the legislative bodies. The matrix would indicate:

(a) Recommendation;

(b) Unit responsible for implementation;

(c) Official in charge of implementation;

(d) Timetable for implementation;

(e) Initial impact of implementation.

The completed chart would be sent to JIU and to the Bureau of the Industrial Development Board and would serve as the basis for regular reporting to the Board on follow-up to recommendations.

8. Requirements in terms of staff time for maintaining the follow-up system described in annex I to document A/52/34 would depend on a number of considerations, including: (a) the number of reports considered by the Board; (b) whether the Secretariat distributes all JIU reports or only those of relevance to UNIDO; (c) whether JIU reports are distributed by the Secretariat to Permanent Missions (informal procedure) or to Ministries of Foreign Affairs of all Member States (formal procedure).

III. ISSUES UNDER DISCUSSION

9. As stated in paragraph 1 above, a pilot scheme is currently under discussion with JIU. In consideration of the implications for the work of the Board and in terms of resources, the Secretariat would require the guidance of the Board before finalizing the pilot scheme. In particular, guidance would have to be provided concerning the following tasks, all of which are addressed in the preceding paragraphs:

	Ref. paragraph A/52/34
Distribution by UNIDO of JIU reports to Member States	6
(a) To Ministries of Foreign Affairs of all 168 Member States, or to Permanent Missions accredited to UNIDO (135 Member States)?	
(b) All JIU reports to be distributed, or only those reports considered by the Director-General to be of sufficient relevance to UNIDO?	

	Ref. paragraph A/52/34
Industrial Development Board	
(c) The Board should plan its work programmes so that sufficient time is allocated to allow for active and serious consideration of the relevant JIU reports.	11
(d) The Board should take concrete action on each recommendation of a JIU report under consideration, rather than just taking note of the report as a whole.	12
(e) The Board should systematically verify the implementation of approved recommendations.	23

IV. ACTION REQUIRED OF THE BOARD

10. The Board is invited to provide guidance on the system of follow-up to JIU recommendations, particularly on points (a) to (e) in paragraph 9 of the present document.

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ACTIVITIES OF THE JOINT INSPECTION UNIT

Follow-up to recommendations of the Joint Inspection Unit

Report by the Secretariat

Addendum

Provides information on developments in the elaboration of a system of follow-up to JIU recommendations, subsequent to the issuance of document IDB.23/12.

Introduction

1. As stated in paragraph 1 of document IDB.23/12, a system of follow-up to recommendations of the Joint Inspection Unit (JIU) is currently under discussion by the UNIDO Secretariat and JIU, in compliance with decision IDB.22/Dec.7. An important objective of the exercise is to develop a scheme that could be implemented within available resources. The purpose of the present addendum is to report on progress made since the issuance of document IDB.23/12.

2. The joint efforts of the Secretariat and JIU to identify measures that minimize additional resource requirements in developing a follow-up system resulted in a mission of the Unit to UNIDO Headquarters on 30 October 2000 for a review of the pending issues. With the cooperation of the Joint Inspection Unit and the understanding reached on the interpretation of the requirements stipulated in annex I to document A/52/34, substantial progress was achieved, as described in the following paragraphs.

I. DISTRIBUTION OF JIU REPORTS

IDB.23/12, paras. 9 (a) and 9 (b)

3. JIU reports are available initially in English. Following data analysis received from JIU, the other UNIDO official language versions of the reports are available approximately six months following the receipt of the English version. Only JIU reports of relevance to UNIDO would be distributed by UNIDO to Member States, through Permanent Missions with an information note. Any difference of opinion concerning the relevance or applicability of a JIU report to UNIDO would be resolved by the Board.

II. INDUSTRIAL DEVELOPMENT BOARD

4. Implications for the Board would be linked to the number of relevant JIU reports, and the number and type of recommendations contained therein, to be considered by sessions of the Board. In years during

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which there are two regular sessions, it would be expected that only one would consider JIU recommendations. The average number of recommendations of particular applicability to UNIDO is 6-7 per report, i.e. approximately 20-22 recommendations could be expected per year. It has been noted that the past two years marked an increase in recommendations by 125 per cent.

5. It should be noted that some JIU recommendations are addressed to governing bodies, while others are directed to the executive heads of organizations. The Board could decide the extent to which it would consider the recommendations in the two categories.

6. Future documents prepared by the Secretariat on JIU activities for consideration by the Board would focus in a more analytical manner than in the past on specific recommendations in recent JIU reports. However, the approximate present length of those documents could be maintained by omitting the summary of JIU recommendations currently included in the documents. Therefore, a different type of document is foreseen that would be more time-intensive on the part of the Secretariat, but of a length that is not likely to entail additional translation or processing costs over the present approach.

IDB.23/12, para. 9 (e)

7. To enable the Board to systematically verify the implementation of approved recommendations, future documents to the Board would also feature a chapter covering the status of implementation of recommendations from earlier JIU reports. Resource implications emanating from this requirement would be limited to staff time (monitoring and report preparation) and somewhat longer documents (translation and minor printing costs).

IDB.23/12, paras. 9 (c) and (d)

8. Particular consideration was given to the implications of the proposed follow-up system for sessions of the Board. If the Board is to "take concrete action on each recommendation of a JIU report under consideration, rather than just taking note of the report as a whole" (A/52/34, annex I, para. 12), implications arise along the following lines:

- At the level of the plenary, additional time required would depend on the extent to which discussion takes place concerning the relevant documentation;
- Member States would have to take account of the need to draft decisions on each relevant recommendation. This would require time prior to sessions for drafting proposed texts and during sessions at the level of the informal consultations;
- The allocation of sufficient time for in-session discussion would have to be considered. As the length of a Board session is decided during consideration of the item for the provisional agenda and date of the forthcoming session, the actual time required would not yet be known;
- When the tentative schedule is discussed at the beginning of each session there would be a clear picture of the number and type of recommendations. This could be taken into account in allocating time for discussion in plenary and in the drafting of decisions.

III. SUMMARY OF IMPLICATIONS

9. In summary, the constructive efforts of the UNIDO Secretariat and JIU achieved substantial progress in developing a scheme of follow-up to JIU recommendations, with additional resource requirements limited to:

(a) Minor printing costs (estimated at $400 per report) arising from the distribution by UNIDO of JIU reports (which might be reduced when reports become available on the Internet);

(b) Increased staff time for monitoring follow-up and preparing documentation issued to the Board on JIU activities, with no additional translation or printing costs. The magnitude of resources required for implementation of the JIU recommendations is difficult to evaluate and depends on their nature and number;

(c) Additional interpretation costs if required for Board sessions would be estimated at $4,900 for an additional three hours. While additional interpretation is charged in three-hour blocks, there may be scope within the overall agenda to accommodate some time together with discussion of other items.

(d) Scheduling considerations for the work of the Board.

IV. ACTION REQUIRED OF THE BOARD

10. The Board may wish to take note of the progress achieved in developing a system of follow-up to JIU recommendations, as reported in document IDB.23/12/Add.1, and provide guidance for further action.

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Item 9 of the provisional agenda

PROPOSED INTERNATIONAL CENTRE FOR SUSTAINABLE INDUSTRIAL DEVELOPMENT

Report by the Director-General

Reports on developments subsequent to the adoption by the Board of decision IDB.22/Dec.5.

1. The initiative of the Government of Slovenia to host an international centre for sustainable industrial development was brought to the attention of the Board in documents IDB.22/10 and Add.1. These documents describe the objectives, activities, structure and financing of the proposed centre. In decision IDB.22/Dec.5, the Board took note with appreciation of that initiative and requested the Director-General to conduct consultations with the parties concerned on possible future cooperation between UNIDO and the centre. The present document is submitted in compliance with that decision.

2. In the intervening period, there have been intensive discussions with the Government of Slovenia as the preparatory assistance project for the establishment of the proposed centre has drawn to a close, and the final reports for the project have been submitted.

3. At the initiative of the Slovene Government, bilateral consultations took place in the UNIDO Secretariat on 26 September 2000 with chairmen or representatives of all regional groups. UNIDO staff members participated as observers.

4. During all the meetings the Slovene officials reiterated the Government's desire to establish the centre within the framework of UNIDO. The long-term objective of the proposed centre would be to promote the idea of sustainable industrial development focusing on Central and Eastern Europe but also open to all developing countries. The Slovene officials reiterated that the proposed centre would not require any financial support from UNIDO's budget, as all administrative costs were to be covered from the Government's cash contribution to UNIDO and the operational budget from in-kind contributions from the Slovene Government and other national and associate institutions from participating countries. The Slovene officials advised that the Slovene Minister of Science and Technology was going to hold bilateral consultations with his colleagues from the Czech Republic, Croatia, Hungary, Poland and Slovakia to solicit their interest and possible co-sponsorship of the proposal to establish the centre.

5. In the course of the discussions, a majority of the representatives of the regional groups provided support for the idea of a centre on sustainable industrial

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development, although a number of questions were raised with respect to the legal status of the proposed centre, the substance of its activities and financial implications for UNIDO.

6. The representatives of the Group of 77 recalled the statement delivered by the Chairman of the Group at the twenty-second session of the Board in which two questions had been raised, namely (a) what were the long-term objectives and functions of the Centre and (b) what would be the legal, financial and personnel implications resulting from a decision to establish a centre as a subsidiary organ of UNIDO. The representatives invited Slovenia and the UNIDO Secretariat to provide a response to these two questions at a meeting of the Group of 77 to be held in mid-October 2000.

7. Representatives of all the groups indicated that the Slovene Government's position and background material would be the subject of further examination and consultations in the capitals and within their respective groups.

8. Any relevant developments will be brought to the attention of the Board in an addendum to the present document, as appropriate.

ACTION REQUIRED OF THE BOARD

9. The Board may wish to consider the information contained in the present document and provide guidance for further action.

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PROPOSED INTERNATIONAL CENTRE FOR SUSTAINABLE INDUSTRIAL DEVELOPMENT

Report by the Director-General

Addendum

1. Subsequent to the developments reported in document IDB.23/13, there were further consultations between the Government of Slovenia and UNIDO.

2. The Slovenian authorities informed the Secretariat that, on the basis of the feedback it had received, it did not feel that it was opportune at this time to pursue further the option of establishing the centre as a subsidiary organ of the Board, as had been originally proposed at the twenty-second session.

3. Nevertheless, the Government was encouraged by the support that had been voiced by other Member States for the concept of an international centre for sustainable industrial development. Mindful of its need for further assistance from UNIDO, the Government suggested to UNIDO to enter into a technical cooperation project to render the centre operational. The project will be governed by a self-financed trust fund agreement between the Government of Slovenia and UNIDO.

4. The text of the project document and trust fund agreement is currently being finalized.

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OPERATIONAL ACTIVITIES FOR DEVELOPMENT

Progress report by the Director-General

Reports on progress made by UNIDO in the implementation of General Assembly resolution 53/192 and earlier resolutions on the triennial policy review of operational activities for development.

1. In the 1990s, commencing with resolution 47/199, the United Nations General Assembly adopted a number of resolutions on the triennial policy review of operational activities for development within the United Nations system, which *inter alia* call upon the specialized agencies to submit yearly progress reports to their governing bodies on measures taken and to be taken for the implementation of those resolutions. In compliance with those mandates, the Director-General has submitted yearly progress reports to the Board.

2. The present report updates the information provided in document IDB.21/27, and also takes account of the elements contained in resolution 53/192 adopted by the United Nations General Assembly at its fifty-third session. Its contents should be considered in conjunction with other documents issued to the policy-making organs, in particular the annual reports of the Organization for 1998 and 1999. Specific topics are discussed in the *Annual Report of UNIDO 1999* that have a direct bearing on the measures called for by the General Assembly in resolutions on operational activities for development. The following list provides references to relevant parts of that document, while the present text highlights UNIDO's relevance with respect to the resolutions and the manner in which it develops and delivers technical assistance.

	1999 Annual Report (IDB.22, and Corr.1, chapter reference)
UNIDO in the field	I.B, appendix K*
Gender issues	II.A, Appendix L**
Global forum function	I.C.
Focus on Africa and least developed countries	II.B, appendix D
System-wide cooperation, including UNDAF	II.C

* See also document IDB.23/10.

** See also document IDB.22/5, chap. IV.

3. In view of the coverage of relevant issues in annual reports of the Organization, the Board may wish to consider whether the yearly progress reports called for in General Assembly resolutions on operational activities for development should be required as separate documents under a separate agenda item or whether future annual reports should provide the relevant information.

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4. UNIDO is supporting developing countries and economies in transition to adopt reforms designed to improve productivity and competitiveness to ensure that they have a place in global markets. These reforms must ensure that the new entrants to world markets encounter the human aspect of globalization and not its darker side, where wages are driven ever lower, working hours become ever longer, human respect becomes ever scarcer and the social and economic fruits of globalization are only enjoyed by a few. UNIDO's technical cooperation programmes and global forum activities support recipient countries in managing their own development process by giving people the education, training, information and knowledge that no market forces will automatically create.

5. Following the launch of UNIDO's successful reform in 1998, the Organization during 1999 and early 2000 concentrated on adjusting and refining programming and implementation methods, and on introducing quality control for its programmes and activities. UNIDO has delegated authority to intermediate management, particularly its integrated programme team leaders, and has started a major initiative to decentralize its field offices. UNIDO also consolidated a matrix working structure designed to provide verifiable quality services in an integrated fashion.

6. The reformed UNIDO allows it to deliver integrated technical cooperation support in a flexible manner according to the requirements of individual countries. Teams design and implement integrated programmes to ensure that the broad range of UNIDO's expertise is mobilized and coordinated for maximum impact in the field. The transformation can be seen most clearly in the radical change in the composition of the Organization's portfolio of programmes.

7. Nevertheless, to continue the implementation of reforms UNIDO will indeed require more resources in the future in the form of voluntary contributions. And it will require more political participation on the part of its Member States.

8. UNIDO is continuing its efforts to heighten the interest of its Member States in the ongoing, and increasingly relevant, social development contribution of sustainable industrial development—the business of UNIDO.

9. UNIDO has an important role to fulfil in the new architecture of the international economic system. The revitalization of UNIDO offers the opportunity to work together to defeat poverty, inequality and backwardness.

10. UNIDO works with the United Nations Development Programme and United Nations specialized agencies to ensure that its programmes complement their technical cooperation programmes, that UNIDO assistance fits into the common framework (United Nations Development Assistance Framework) and that complementarities lead to sustainable human development.

11. At this early stage, it is premature to assess conclusively the wide-scale impact of the integrated programmes on the lives of men, women and children in client countries. Solid groundwork has been laid and the tools and methodologies that have been put in place will ensure the future success of the programmes and the sustainable industrial development of the countries that own them. The new approach has resulted in a perceptible improvement in the way the Organization coordinates both with client and donor countries as well as with other agencies.

ACTION REQUIRED OF THE BOARD

12. The Board may wish to consider adopting the following draft decision:

"The Industrial Development Board:

"(a) Recalls United Nations General Assembly resolution 53/192, which *inter alia* calls upon specialized agencies to submit yearly progress reports to their governing bodies on measures taken and envisaged for the implementation of that and related resolutions;

"(b) Takes note of the information provided in the progress report of the Director-General (IDB.23/14), including the relevant information contained in other documents as indicated in paragraph 2 of the progress report;

"(c) Requests the Director-General, in the interest of reducing overlap, to provide the information requested in resolution 53/192 in future annual reports of the Organization exclusively."

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Item 3 (e) of the provisional agenda

TRANSITION TO A SINGLE-CURRENCY SYSTEM

Consultations with Member States on the definition of major objects of expenditure

Note by the Director-General

Reports on the continuation of consultations with Member States conducted in compliance with Programme and Budget Committee conclusion 2000/4.

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Introduction

1. Financial regulation 3.4 stipulates that UNIDO's regular budget shall also be presented by major objects of expenditure. The definition currently in use for major objects of expenditure originates from a standard defined by the United Nations more than 30 years ago, which no longer meets operational requirements.

2. In connection with the introduction of the new financial system, which requires the redesign of the charts of accounts and the forthcoming introduction of a single-currency system of budgeting, which also necessitates the revision of objects of expenditure, it seemed opportune to introduce a new grouping of the objects of expenditure for the presentation of the budget proposal for the biennium 2002-2003.

3. Accordingly, a pre-session document was submitted to the Programme and Budget Committee (PBC.16/9). Further clarification was provided in the form of background information. Member States examined the proposal before and during the sixteenth session of the Programme and Budget Committee, and the Secretariat received various recommendations on how to improve the concept.

4. Furthermore, the Director of External Audit informed representatives of Member States that the proposed grouping would lead to the rationalization of major objects of expenditure, allowing the Secretariat to budget and report all related expenditures under the appropriate major objects of expenditure. In general, this would enable the Organization to carry out its activities in a more effective and efficient manner without reducing control by Member States.

5. As a result of its deliberations, the Programme and Budget Committee, in its conclusion 2000/4, paragraph (g), requested the Director-General to continue consultations with Member States on the definition of major objects of expenditure and to present the issue to the forthcoming session of the Industrial Development Board.

6. Accordingly, the Secretariat organized a series of consultations on the subject with representatives of all regional groups. During these consultations the merits of the proposed changes were discussed at length, together with procedural aspects of their approval. The proposal was further improved based on advice received from representatives of Member States, and will be discussed with permanent missions, together with the present document, on 24 October 2000.

7. Also during the consultations it was confirmed by the Secretariat that the new major objects of expenditure coding would first be introduced in the preparation of the budget proposals for the biennium 2002-2003. Ultimately, the new grouping would be approved together with, and as an integral part of, the programme and budgets, 2002-2003.

I. PRINCIPAL CHANGES, BENEFITS AND EXAMPLES OF THE PROPOSED NEW GROUPING

Merger of the three smallest categories into operating costs

8. "Contractual services" (covering external printing and public information services provided by outside companies), "supplies and materials", and "acquisition of furniture and equipment" are three different major objects of expenditure under the current structure, representing together one per cent of the gross combined regular and operational budgets (PBC.16/9, table). These three categories are operating costs by nature.

9. The major benefit of merging these small categories into the operating costs can be demonstrated as follows: the decision as to whether a piece of old equipment would be repaired (maintenance, which is part of general operating costs - 400) or replaced (acquisition of furniture and equipment - 600) should not depend on the availability of funds under a certain major object category, but on the economy of the action itself.

"Other expenditures" redistributed among the real categories

10. The "other" category under the current major objects of expenditure structure represents 9.7 per cent of the gross combined budgets (PBC.16/9, table). The items under this category would naturally belong to various major object groups; the reason for having them under "others" was the implementation modality through a joint service.

11. The best example of the disadvantage in the present approach is the distinction between printing funds under the current "contractual services" major group for external printing, and funds under the "other expenditures" major group for printing through the joint printing service provided by the International Atomic Energy Agency (IAEA). A similar example is the provision of training funds under staff costs and also under the "other" category as a contribution to the joint

language training programme provided by the United Nations Office at Vienna (UNOV).

Communication costs merged into information technology-related costs

12. As a result of technological developments in this area, it is no longer possible to distinguish between communication costs and IT costs. As an example, the subscription fee to the Internet service provider is not only for connecting computers (IT-related costs), but also for communication purposes (e-mail, phone-over-Internet, fax delivery through Internet, etc.). Very often regular telephone connections (currently budgeted as communication costs) are used to establish data transfer between computers, and there is no way to determine which portion of the connection was used for voice communication or for data exchange.

13. By moving communication costs into the IT major group of expenditure, UNIDO would be in line with the technical reality.

II. CONCLUSION

14. The annex to the present document illustrates the proposed changes on the basis of the combined gross budgets for the biennium 2000-2001. Accordingly, the revised list of major objects of expenditure would have the following five items:

(a) Staff costs;

(b) Official travel;

(c) Operating costs;

(d) Information and communication technology;

(e) Regular Programme of Technical Cooperation (RPTC) and Industrial Development Decade for Africa (IDDA) supplementary activities.

15. The reduction in the number of major objects of expenditure categories from nine to five would put UNIDO in a similar position to IAEA (five categories: (a) staff costs; (b) travel; (c) direct costs; (d) laboratory activities; (e) shared services) and UNOV (four categories: (a) posts controlled by staffing table; (b) compensation of non-United Nations officials; (c) hospitality; (d) other expenditures).

III. ACTION REQUIRED OF THE BOARD

16. The Board may wish to consider the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the report by the Director-General on the definition of major objects of expenditure (IDB.23/15);

"(b) Authorizes the Director-General to apply the new definition of major objects of expenditure as described in document IDB.23/15 to the programme and budget proposals for the biennium 2002-2003 and subsequent bienniums."

Annex
Approved expenditure (regular and operational budgets)
by major object of expenditure for 2000-20001

(In thousands of dollars at US$ 1 = ATS 12.90)

Major object of expenditure (current)	2000-2001 approved budget (US$)	Major object of expenditure (new)	2000-2001 approved budget (US$)
100 Staff costs	**124,724.2**	**1000 Staff costs**	**125,402.2**
+450 Hospitality	58.1		
+933 Joint medical services (IAEA)	557.9		
+944 Joint language training (UNOV)	62.0		
	125,402.2		
200 Official travel	**2,430.5**	**2000 Official travel**	**2,430.5**
300 Contractual services	**520.1**	**3000 Operating costs**	**48,084.0**
400 General operating expenses	**30,351.9**		
500 Supplies and materials	**785.9**		
600 Acquisition of furniture and equipment	**623.1**		
-440 Communication	-1,535.3		
-450 Hospitality	-58.1		
+932 Joint printing and reproduction (IAEA)	836.5		
+934 Joint library services (IAEA)	1,300.2		
+945 Joint meetings planning and services (UNOV)	302.3		
+946 Joint interpretation services (UNOV)	336.8		
+947 Joint security and safety services (UNOV)	2,480.3		
+960 Joint activities provided by UN bodies	701.5		
+970 Joint language and documentation services (UNOV)	5,438.8		
+991 Contribution to joint language & doc. serv. (UNOV)	50.0		
+992 Reimbursement to Major Repair Fund	600.0		
+993 Essential requirements - BMS	5,350.0		
	48,084.0		
700 EDP non-staff costs	4,150.7	**4000 Information and communication technology (non-staff costs)**	6,773.2
+440 Communication	1,535.3		
+948 Joint communication services	1,087.2		
	6,773.2		
800 Technical cooperation and IDDA	**13,875.6**	**5000 Technical cooperation and IDDA**	13,875.6
900 Other expenditures	**19,103.5**		
-932 Joint printing and reproduction (IAEA)	-836.5		
-933 Joint medical services (IAEA)	-557.9		
-934 Joint library services (IAEA)	-1,300.2		
-944 Joint language training (UNOV)	-62.0		
-945 Joint meetings planning and services (UNOV)	-302.3		
-946 Joint interpretation services (UNOV)	-336.8		
-947 Joint security and safety services (UNOV)	-2,480.3		
-948 Joint communication services (UNOV)	-1,087.2		
-960 Joint activities provided by UN bodies	-701.5		
-970 Joint language and documentation services (UNOV)	-5,438.8		
-991 Contribution to joint language & doc. serv. (UNOV)	-50.0		
-992 Reimbursement to Major Repair Fund	-600.0		
-993 Essential requirements - BMS	-5,350.0		
	0.0		
TOTAL UNIDO	**196,565.5**	**TOTAL UNIDO**	**196,565.5**

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TRANSITION TO A SINGLE-CURRENCY SYSTEM

Consultations with Member States on the definition of major objects of expenditure

Note by the Director-General

Addendum

Updates the information provided in document IDB.23/15 to include the consultation held on 24 October 2000.

1. As stated in document IDB.23/15, a further consultation was scheduled with permanent missions on 24 October 2000 within the context of compliance with conclusion 2000/4 of the Programme and Budget Committee. The approach described in document IDB.23/15, advance copies of which had been distributed as a basis for discussion, met with consensus among participants in the consultation.

2. Taking account of views expressed concerning the role of the Programme and Budget Committee in the decision-making process, the draft decision for consideration by the Board as contained in document IDB.23/15 has been revised as follows:

"The Industrial Development Board:

"(a) Takes note of conclusion 2000/4 adopted by the Programme and Budget Committee following its consideration of document PBC.16/9;

"(b) Also takes note of the notes by the Director-General on the definition of major objects of expenditure (IDB.23/15 and Add.1);

"(c) Authorizes the Director-General to apply the new definition of major objects of expenditure, as described in document IDB.23/15, to the programme and budget proposals for the biennium 2002-2003 and subsequent bienniums."

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ACTIVITIES OF THE JOINT INSPECTION UNIT

UNIDO follow-up to reports and recommendations of the Joint Inspection Unit

Report by the Joint Inspection Unit

Comments of the Joint Inspection Unit on the interim report of the UNIDO Secretariat concerning follow-up to JIU recommendations (IDB.23/12).

1. United Nations General Assembly resolution 50/233 of 7 June 1996 established the principle that "the impact of the Joint Inspection Unit [JIU] on the cost-effectiveness of activities within the United Nations system is a shared responsibility of the Member States, the Unit and the secretariats of the participating organizations".

2. Reflecting this concept of a shared responsibility for oversight, JIU prepared a document, entitled "Towards a more effective system of follow-up on reports of the Joint Inspection Unit", which was included as annex I to the JIU annual report of 1997 (A/52/34). This proposed follow-up system was submitted for consideration and action by the legislative bodies of participating organizations, and was endorsed by the United Nations General Assembly in its resolution 54/16 of 29 October 1999. It appears that this proposal has not been submitted to the IDB for consideration.

3. The endorsed follow-up system is based on the fact that the value of a JIU report depends on effective follow-up, which requires (a) that the reports be given active and serious consideration by the legislative bodies of the participating organizations, and (b) that there be expeditious implementation of the approved/accepted recommendations, with full reporting on the implementation measures and analysis on the resulting impact. The system therefore proposes procedures for tracking and reporting on these actions. Also important for the proposed follow-up system, as indicated in annex I to document A/52/34, are the necessary conditions for effective follow-up on JIU reports, i.e., fulfilment of the roles of Member States, the Unit and the secretariats of the participating organizations in their shared responsibility for oversight.

4. As a complement to the proposed follow-up system on JIU reports, now endorsed by the United Nations General Assembly, the JIU has prepared notes on the handling of JIU reports, which were addressed to the executive heads of the participating organizations. These notes, including the one for UNIDO, focused on a number of aspects related to follow-up on JIU reports. Rather than be considered independent of it, they were intended to facilitate the implementation of those elements of the proposed follow-up system falling within the competence of the secretariats of the participating organizations.

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5. The Unit recognizes the need for some clarifications and refinements to facilitate the endorsement by the IDB of the proposed follow-up system and its implementation by the parties concerned.

6. At its twenty-second session, the Industrial Development Board adopted decision IDB.22/Dec.7, para. (c) of which "Encouraged the UNIDO Secretariat to continue its dialogue with the Joint Inspection Unit with a view to developing a system of follow-up to Joint Inspection Unit recommendations in full consultation with all Member States and in due time, and to report thereon to the Industrial Development Board at its twenty-third session."

7. The Joint Inspection Unit was informed by the UNIDO Secretariat that it had submitted an interim report to the twenty-third session of the IDB in accordance with Board decision IDB.22/Dec.7.[1] As the JIU was not consulted on the contents of the report before its submission, the Unit feels it is appropriate to submit to the IDB its observations on this UNIDO Secretariat document.

8. The JIU fully supports the principle contained in paragraph 1 of the interim report that any procedures developed for the follow-up to JIU reports and their recommendations should be devised so that they may be implemented within available resources. It also supports the concept that the follow-up system should not become an extra burden to the IDB and/or the UNIDO Secretariat, and it is willing to undertake a detailed discussion with the UNIDO Secretariat on this aspect as part of the ongoing dialogue mandated by the IDB.

9. The JIU is aware that resource requirements depend on the approach to be developed. The JIU would like to have the opportunity to develop a sensible approach together with the UNIDO Secretariat.

10. In paragraph 3, it is stated that "In developing a follow-up scheme for UNIDO, constraints are encountered both at the level of the governing bodies and within the Secretariat, as summarized in the following paragraphs". Constraints, of course, depend on the interpretation of the proposed follow-up system contained in annex I to document A/52/34. The JIU is eager to discuss the interpretation of the proposed follow-up system as contained in annex I of A/52/34, as well as any constraints that the UNIDO Secretariat has encountered or may encounter in the implementation of the proposed follow-up system in the context of the expected dialogue between the two parties. This is and has always been the JIU purpose in promoting interaction and exchange of views with the UNIDO Secretariat. The JIU would have preferred that the UNIDO Secretariat had discussed its concerns about such alleged constraints with the Unit and only then brought those issues still unresolved before the IDB.

11. In paragraph 5, the Board has been called upon to take into account, among other things, "the feasibility of holding slightly longer sessions to accommodate the active and serious consideration of the reports". The JIU believes that it is premature to raise with the IDB this issue. In fact, the JIU is of the opinion that the IDB may not need additional time for consideration of its reports, provided that the IDB would consider only those JIU reports that (a) are relevant to UNIDO and (b) contain recommendations requiring action by the IDB.

12. In paragraph 6 of the interim report, the issue of resource constraints has been raised. The comments made in paragraphs 8, 9 and 10 above apply.

13. In the same paragraph, the UNIDO Secretariat has touched upon a very important matter under discussion, namely, the relevance of the JIU reports to UNIDO. The JIU has repeatedly expressed to the UNIDO Secretariat its wish to discuss with the latter, within the context of the JIU Statute, the issue of deciding on the relevance of JIU reports before it is raised with the IDB.

14. On the issue of distribution of JIU reports, the JIU believes that an acceptable middle way would be that the JIU reports which are considered relevant to UNIDO and contain recommendations requiring action by the IDB are circulated to the IDB members only. A note by the Secretariat may be sent to all Permanent Missions informing them of the existence and availability of those JIU reports relevant to UNIDO, although here, again, this is an aspect that may be discussed first between the JIU and the UNIDO Secretariat.

15. The JIU would like to clarify that, according to the procedures envisaged in the JIU Statute, Article 11, para. 4 (b), "Translation of reports of concern to more than one organization shall be arranged by the Unit; reports of concern to only one organization shall be translated by that organization". Since most JIU reports are system-wide or cover more than one organization, the only burden the UNIDO Secretariat would have in translating JIU reports would be when only UNIDO is covered by a report.

16. In paragraph 8, the interim report refers again to the question of resource requirements, the relevance of JIU reports and their distribution. The comments made in paragraphs 8, 9, 10, 11, 12, 13 and 14 above apply.

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[1] See doc. IDB.23/12.

17. In paragraph 9, the UNIDO Secretariat asks for guidance by the IDB on a number of aspects "In consideration of the implications for the work of the Board and in terms of resources". The Unit believes that it is not proper to assume that there will definitely be implications for the work of the IDB in terms of resources. Therefore, it considers it premature to involve the IDB in a discussion based on this assumption before the questions raised in the preceding pertinent paragraphs have been discussed between the UNIDO Secretariat and the JIU as part of the mandated dialogue.

18. Moreover, some of the assumptions in the interim report appear to be somewhat misleading at this stage. In particular:

- Question (a): See JIU option in paragraph 14 above.

- Question (b): See JIU comment in paragraph 13 above. Moreover, the JIU does not believe it appropriate to present to the IDB the two options indicated. First, it has never been recommended that "all JIU reports" have to be distributed. Second, according to the JIU Statute, in particular Article 11(4)(c), the Director-General should not be in a position to decide by himself which JIU reports are sufficiently relevant to UNIDO.

- In the opinion of the JIU it is not necessary to seek guidance of the IDB on questions (c), (d) and (e) at this stage. The JIU recognizes, of course, that the text under (c), (d) and (e) were taken from A/52/34. Nevertheless, in the Unit's opinion, it is not proper to extract some specific and critically important elements from a comprehensive document and to present them to the IDB without having a prior dialogue between the UNIDO Secretariat and the JIU on the interpretation of the proposed follow-up system contained in annex I of A/52/34.

19. In view of the above, the JIU recommends that the IDB take note of both the interim report and JIU comments thereon and that it request the UNIDO Secretariat and the JIU to continue a constructive dialogue with a view to presenting a final concrete recommendation at its twenty-fourth session.

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IDB.23/17
25 October 2000

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-third session
Vienna, 14-16 November 2000

LISTS OF STATES INCLUDED IN ANNEX I TO THE CONSTITUTION OF UNIDO

Note by the Secretariat

1. Reference is made to the Lists of States included by the Depositary in Annex I to the Constitution of UNIDO, contained in document UNIDO/GC.1/3. According to Annex I to the Constitution, the Lists of States to be included by the Depositary (Secretary-General of the United Nations) in that Annex are the lists determined by the General Assembly of the United Nations for the purpose of section II, paragraph 4, of General Assembly resolution 2152 (XXI), as in effect on the date the Constitution entered into force, namely on 21 June 1985.

2. As of 24 October 2000, 169 States were Members of UNIDO. Of these, 166 are shown in the Lists of States to be included by the Depositary in Annex I to the Constitution (see overleaf). The following 3 States have become Members of UNIDO but are not yet included in any of those lists:

State	Date of accession
Tajikistan	9 June 1993
Turkmenistan	16 February 1995
South Africa	24 October 2000

Pursuant to paragraph 1 of Annex I to the Constitution, if a State not listed in any of those lists becomes a Member of UNIDO, the General Conference shall decide, after appropriate consultations, in which of those lists it is to be included. The matter will be brought to the attention of the Conference at its ninth session for consideration.

3. The present note supersedes document GC.8/11/Rev.2.

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

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A. States from List A of document UNIDO/GC.1/3

Afghanistan
Algeria
Angola
Bahrain
Bangladesh
Benin
Bhutan
Botswana
Burkina Faso
Burundi
Cambodia
Cameroon
Cape Verde
Central African Republic
Chad
China
Comoros
Congo
Côte d'Ivoire
Democratic People's Republic of Korea
Democratic Republic of the Congo
Djibouti
Egypt
Equatorial Guinea
Eritrea
Ethiopia
Fiji
Gabon
Gambia
Ghana
Guinea
Guinea-Bissau
India
Indonesia
Iran (Islamic Republic of)
Iraq
Israel
Jordan
Kazakhstan
Kenya
Kuwait
Kyrgyzstan
Lao People's Democratic Republic
Lebanon
Lesotho
Liberia
Libyan Arab Jamahiriya
Madagascar
Malawi
Malaysia
Maldives
Mali
Mauritania
Mauritius
Mongolia
Morocco
Mozambique
Myanmar
Namibia
Nepal
Niger
Nigeria
Oman
Pakistan
Papua New Guinea
Philippines
Qatar
Republic of Korea
Rwanda
Sao Tome and Principe
Saudi Arabia
Senegal
Seychelles
Sierra Leone
Somalia
Sri Lanka
Sudan
Swaziland
Syrian Arab Republic
Thailand
Togo
Tonga
Tunisia
Uganda
United Arab Emirates
United Republic of Tanzania
Uzbekistan
Vanuatu
Viet Nam
Yemen
Yugoslavia[a]
Zambia
Zimbabwe

B. States from List B of document UNIDO/GC.1/3

Austria
Belgium
Cyprus
Denmark
Finland
France
Germany
Greece
Ireland
Italy
Japan
Luxembourg
Malta
Netherlands
New Zealand
Norway
Portugal
Spain
Sweden
Switzerland
Turkey
United Kingdom of Great Britain and Northern Ireland

C. States from List C of document UNIDO/GC.1/3

Argentina
Bahamas
Barbados
Belize
Bolivia
Brazil
Chile
Colombia
Costa Rica
Cuba
Dominica
Dominican Republic
Ecuador
El Salvador
Grenada
Guatemala
Guyana
Haiti
Honduras
Jamaica
Mexico
Nicaragua
Panama
Paraguay
Peru
Saint Kitts and Nevis
Saint Lucia
Saint Vincent and the Grenadines
Suriname
Trinidad and Tobago
Uruguay
Venezuela

D. States from List D of document UNIDO/GC.1/3

Albania
Armenia
Azerbaijan
Belarus
Bosnia and Herzegovina
Bulgaria
Croatia
Czech Republic
Georgia
Hungary
Lithuania
Poland
Republic of Moldova
Romania
Russian Federation
Slovakia
Slovenia
The former Yugoslav Republic of Macedonia
Ukraine

[a] Concerning Yugoslavia, see resolution GC/S.1/Res.1 adopted by the General Conference at its first special session.

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United Nations Industrial Development Organization

Industrial Development Board

Twenty-third session
Vienna, 14-16 November 2000

LISTS OF STATES INCLUDED IN ANNEX I TO THE CONSTITUTION OF UNIDO

Note by the Secretariat

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State	Date of accession
Tajikistan	9 June 1993
Turkmenistan	16 February 1995

Pursuant to paragraph 1 of Annex I to the Constitution, if a State not listed in any of those lists becomes a Member of UNIDO, the General Conference shall decide, after appropriate consultations, in which of those lists it is to be included. The matter will be brought to the attention of the Conference at its ninth session for consideration.

3. The present note supersedes document IDB.23/17.

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A. States from List A of document UNIDO/GC.1/3

Afghanistan
Algeria
Angola
Bahrain
Bangladesh
Benin
Bhutan
Botswana
Burkina Faso
Burundi
Cambodia
Cameroon
Cape Verde
Central African Republic
Chad
China
Comoros
Congo
Côte d'Ivoire
Democratic People's Republic of Korea
Democratic Republic of the Congo
Djibouti
Egypt
Equatorial Guinea
Eritrea
Ethiopia
Fiji
Gabon
Gambia
Ghana
Guinea
Guinea-Bissau
India
Indonesia
Iran (Islamic Republic of)
Iraq
Israel
Jordan
Kazakhstan
Kenya
Kuwait
Kyrgyzstan
Lao People's Democratic Republic
Lebanon
Lesotho
Liberia
Libyan Arab Jamahiriya
Madagascar
Malawi
Malaysia
Maldives
Mali
Mauritania
Mauritius
Mongolia
Morocco
Mozambique
Myanmar
Namibia
Nepal
Niger
Nigeria
Oman
Pakistan
Papua New Guinea
Philippines
Qatar
Republic of Korea
Rwanda
Sao Tome and Principe
Saudi Arabia
Senegal
Seychelles
Sierra Leone
Somalia
South Africa
Sri Lanka
Sudan
Swaziland
Syrian Arab Republic
Thailand
Togo
Tonga
Tunisia
Uganda
United Arab Emirates
United Republic of Tanzania
Uzbekistan
Vanuatu
Viet Nam
Yemen
Yugoslavia[a]
Zambia
Zimbabwe

B. States from List B of document UNIDO/GC.1/3

Austria
Belgium
Cyprus
Denmark
Finland
France
Germany
Greece
Ireland
Italy
Japan
Luxembourg
Malta
Netherlands
New Zealand
Norway
Portugal
Spain
Sweden
Switzerland
Turkey
United Kingdom of Great Britain and Northern Ireland

C. States from List C of document UNIDO/GC.1/3

Argentina
Bahamas
Barbados
Belize
Bolivia
Brazil
Chile
Colombia
Costa Rica
Cuba
Dominica
Dominican Republic
Ecuador
El Salvador
Grenada
Guatemala
Guyana
Haiti
Honduras
Jamaica
Mexico
Nicaragua
Panama
Paraguay
Peru
Saint Kitts and Nevis
Saint Lucia
Saint Vincent and the Grenadines
Suriname
Trinidad and Tobago
Uruguay
Venezuela

D. States from List D of document UNIDO/GC.1/3

Albania
Armenia
Azerbaijan
Belarus
Bosnia and Herzegovina
Bulgaria
Croatia
Czech Republic
Georgia
Hungary
Lithuania
Poland
Republic of Moldova
Romania
Russian Federation
Slovakia
Slovenia
The former Yugoslav Republic of Macedonia
Ukraine

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Items 4 and 5 of the provisional agenda

INTEGRATED PROGRAMMES

FIELD REPRESENTATION

Consultations with Member States

Report by the Director-General

Reports on the consultations held with Member States in compliance with conclusions 2000/5 and 2000/6 of the Programme and Budget Committee.

I. BACKGROUND

1. Since the adoption of the Business Plan on the Future Role and Functions of UNIDO in 1997, decentralization has been an important component of UNIDO reforms. Traditionally, UNIDO maintained country offices in the field which performed primarily representational and other miscellaneous functions. As part of UNIDO's transformation since early 1998, UNIDO has taken as many steps towards decentralization as possible with its limited financial resources. A number of country and regional offices have been opened, their functions have been redefined and certain administrative and financial powers have been delegated to the field. Numerous reports on UNIDO field representation have been prepared and submitted to the policy-making organs in recent years. Since the adoption of the Business Plan in 1997, the following reports on field representation have been issued to the Board: IDB.19/11, IDB.19/CRP.8, IDB.20/16, IDB.20/CRP.4, IDB.21/10 (chap. VI), IDB.21/19, IDB.22/2 (chap. I.B) and IDB.23/10. Furthermore, the staffing of UNIDO field offices is covered in appendices to the annual reports of the Organization (see, for example, IDB.22/2 and Corr.1, appendix K).

2. However, there has been only limited qualitative change in the nature and role of the field offices. Under the present arrangement, the country offices undertake some activities relating to country-level programming and are associated in a general way with project implementation in the field. Their substantive responsibilities in the area of programme formulation and development and project implementation is somewhat restricted due to the limited human and financial resources made available to them. The regional offices, which are supposed to function as regional technical centres, are not yet fully operational as the required technical personnel have not yet been deployed, again owing to limited financial resources.

3. The need to expand and qualitatively change UNIDO's field structure arises from the Business Plan's

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prescription to introduce "effective decentralization" in order to respond to the changing operational environment and to enhance the relevance and effectiveness of UNIDO activities. Specifically, the Business Plan required UNIDO to introduce "effective decentralization of activities and strengthened field representation" through:

(a) Redeployment of resources and Professional staff with the required level of expertise from Headquarters to the field;

(b) Appropriate delegation of authority;

(c) Formulation of key functions and responsibilities of field offices.

It also called for discontinuation of the general activities related to country-level programming at Headquarters, in the light of the future changes in field representation.

4. Moreover, the need to decentralize is driven by changes in the broader context of the international development scenario in recent years. This relates to a wide range of factors, including the flow of development assistance, the shifting role of various actors, and technological advances. Given these new circumstances, the highly competitive environment in the client countries in which UNIDO operates renders a centralized management system unsuitable. A decentralized system would move the Organization closer to its clients and to other development actors in the field and adequate powers would enable the field offices to respond to challenges quickly and to seize emerging opportunities. In short, effective decentralization would make UNIDO more relevant and efficient and would help increase the development effectiveness of its activities, thereby enhancing its visibility in the development scene.

5. Therefore, the prescriptions of the Business Plan have been interpreted by the Secretariat to mean that the field offices should be strengthened and assigned substantive responsibilities in programme formulation and development, and in project management and implementation. This would involve transferring to the field many of the functions presently being performed at Headquarters, both in the Regional Bureaux and the technical divisions. This would also mean that the present one-person field offices should be expanded and strengthened by putting in place a multidisciplinary team with technical personnel specific to the requirements of the area or region in which the office would be opened. This entails costs.

6. While undertaking various measures towards decentralization over the past two years, the Secretariat was aware of the Business Plan's prescriptions and their implications. It was always expected that generation of additional resources, mainly through a higher level of technical cooperation delivery, would enable the Organization to bring about effective decentralization.

7. Since these expectations were not being realized and in view of the resource constraints that the Organization faces, these and other relevant issues were raised in conference room paper PBC.16/CRP.5, which was submitted to the Programme and Budget Committee at its sixteenth session. At the same time, similar considerations also prompted the submission of conference room paper PBC.16/CRP.4 relating to the financing of the integrated programmes.

II. CONSULTATIONS WITH MEMBER STATES

8. As requested by the Programme and Budget Committee at its sixteenth session (conclusions 2000/5 and 2000/6), consultations were held with regional groups during the period 22 September to 9 October 2000 on the issues covered in the two conference room papers. As a second stage, all Permanent Missions were invited to a plenary consultation convened on 23 October 2000. The main results of the discussions are summarized below.

Integrated programmes

9. On the question of the portfolio of integrated programmes, the general consensus was that there should be consultations with the respective Member States prior to undertaking any revision of the integrated programmes. This is particularly necessary as programme formulation and implementation as well as funds mobilization are a joint responsibility of the Organization and the country concerned. The Secretariat appreciated this position, while pointing out that screening and assessment of the integrated programmes is a continuing process, influenced by a number of factors such as the changing needs of the country concerned, alternative modes available for needs-fulfilment and, most important of all, availability of the required financial resources. The need to undertake continuous review and assessment in consultation with the relevant Member States is fully appreciated.

10. A conference room paper will contain an overview of the current status of the integrated programme portfolio. In addition, specific, up-to-date information on the integrated programmes for individual countries will be provided during the session.

Decentralization

11. As regards strengthening decentralization, there was general appreciation that, within the available limited resources, UNIDO has taken some steps for putting in place a field structure comprising a number of

country and regional offices. This structure should be streamlined, consolidated and stabilized. At the same time, it was felt that some steps should be taken by the Organization in order to implement the Business Plan's directive of "effective decentralization" through strengthening a few regional offices with substantive powers and responsibilities in the areas of programme development and project implementation.

12. In this context, the representatives of the Member States took note of the relative costs involved in consolidating and stabilizing the existing field structure, the cost of options to bring about "effective decentralization" and the resources made available during the year 2000 for the field representation system. This information has been summarized in the annex to the present document.

13. The prevailing view was that, while the existing field structure should be consolidated and stabilized over time, UNIDO should at the same time take up further strengthening of a few regional offices in a planned manner and endow these offices with substantive responsibilities and powers in the area of programme formulation and development as well as project implementation. It was recognized that even this limited initiative would require provision of funds at a level slightly higher than that made available for the field structure in the programme and budgets, 2000-2001.

14. The report on field representation issued under the symbol IDB.23/10 provided information on the status of field offices as of 31 August 2000. Paragraph 7 of that document referred to staffing of the field offices, and included the expectation to field an additional 26 Professional staff by the end of the current year. This figure will now be modified in the context of reviewing and consolidating the overall situation. Moreover, as part of the overall reorganization of the field structure, it would be necessary to review the functioning of some of the existing country offices, also as reflected in the annex to document IDB.23/10.

III. ACTION REQUIRED OF THE BOARD

15. The Board may wish to take note of the information provided in documents IDB.23/10 and IDB.23/18, including the intention of the Director-General to strengthen and empower a few regional offices in a planned manner as part of the process of introducing "effective decentralization", while at the same time seeking to consolidate and stabilize the existing field structure over time.

Annex

SUMMARY OF OPTIONS DISCUSSED

I. Current field network consolidated and stabilized

- 10 regional offices (each 1 director, 2 technical staff (P-4 and P-5), 1 secretary, 1 driver)
- 20 country offices (each 1 senior technical staff, 1 secretary, 1 driver)
- Some 10 focal point offices
- International travel costs and operating costs.

II. Option under "effective decentralization"

- 10 strengthened regional offices (each 1 director, 4 technical staff, 3 General Service staff, 2 drivers plus 1 national officer, 1 junior programme officer)
- 10 country offices (each 1 senior technical staff, 1 secretary, 1 driver)
- 10 focal point offices
- International travel costs and operating costs.

III. Current field network consolidated and stabilized, plus two strengthened regional offices

- 8 regional offices (each 1 director, 2 technical staff (P-4 and P-5), 1 secretary, 1 driver)
- 2 strengthened regional offices (each 1 director, 4 technical staff, 3 General Service staff, 2 drivers plus 1 national officer, 1 junior programme officer)
- 20 country offices (number subject to review of functioning) (each 1 senior technical staff, 1 secretary, 1 driver)
- Some 10 focal point offices
- International travel costs and operating costs.

Respective annual costs
(In millions of US dollars)

	I. Current	II. Effective decentralization	III. Current + 2 strengthened regional offices	Amount available in programme and budgets, 2000
Staff costs	8.4	10.2	9.1	
International travel costs	0.2	0.5	0.3	RB: 7.23 OB: 2.10
Operating costs	3.0	3.8	3.3	Total: 9.33
TOTAL	11.6	14.5	12.7	